Baptists hire 6 for $500 million

By Marci Baker

DALLAS — The Annuity Board of the Southern Baptist Convention will allocate more than $500 million to six newly hired bond managers, wrapping up plans to rely more heavily on external management for its $2 billion fund.

The board selected Sanford C. Bernstein & Co. Inc., New York; MacKay-Shields Financial Corp., New York; Morgan Stanley Asset Management Inc., New York; Standish, Ayer & Wood Inc., Boston; ST'N Fixed Income Management, Santa Barbara, Calif.; and Western Asset Management Co., Los Angeles, to run fixed-income accounts, said Harold Richardson, senior vice president and treasurer.

The six new managers will run a total of $530 million in accounts of roughly equal size, with the money coming from internally run assets, said Mr. Richardson.

"This wraps up our plans for adding outside managers for a while," he said.

All of the external managers will run assets of the Southern Baptists' defined benefit and defined contribution plans. The defined benefit plan totals about $500 million and the defined contribution plan, $1.5 billion, Mr. Richardson said.

While the Southern Baptists have used outside money managers to run its 20% equity commitment, the 80% in fixed income historically has been run internally with heavy commitments to guaranteed investment contracts.

The rapid growth of its benefits assets led the Southern Baptists to seek what the board determined was the wiser course of diversified external management.

Fund assets have grown rapidly since Sept. 30, 1983, when the Southern Baptists had $1.6 billion in total assets, according to *Pensions & Investment Age*'s Top 1,000 pension fund rankings.

The Southern Baptist Convention launched its search for fixed-income managers early this year with the aid of consultant Callan Associates, San

Continued on page 64

Revenue plunge trickles down

Oil slump hits industry funds hard

By Rose Darby

Oil industry pension funds, and particularly those in the oil service industry, are beginning to feel the effects of the oil price drop of the past eight months.

Among the steps taken by the oil companies to cut costs and shore up earnings that affect the pension funds are:

- Terminations of overfunded plans that could result in the reversion of more than $1.5 billion in excess assets. Exxon Corp., Ashland Oil Corp. and Phillips Petroleum Co. are in the process of putting innovative spinoff/terminations into effect.
- Introductions of voluntary and involuntary severance programs and early retirement windows, which resulted in at least 18,600 employees being trimmed from the payrolls of oil companies so far. Some of the short-term costs of such programs are being borne by the pension funds, through the offering of higher benefits.
- Reductions in annual plan contributions to lighten the burden of pension expense.

Not all oil companies are affected to the same extent. Mesa Petroleum Co. and Shell Oil Co. are among those that diversified or sought to boost efficiency and cut costs during the past few years and now are experiencing better conditions than their struggling counterparts.

But many are having to take steps — some of them drastic — to cut costs in the employee benefits area.

"Categorically, there's no question about it, these companies are trying to lighten their load," said John Olson, first vice president of research for Drexel Burnham Lambert Inc., Houston. "It's now a matter of survival for some of these companies and they have to apply cost-cutting measures."

Fund termination is the approach some are taking to revert surplus assets into corporate coffers.

"On the pension plan side, in terms of retirement plan terminations, there's been a huge interest in them," said Phillip Merdinger, principal and actuary for William M. Mercer-Meidinger Inc., Dallas.

"In some instances, the driving force is to recapture surplus assets," he said. "In others,

companies are moving away from defined benefit plans and replacing them with some type of defined contribution plan."

There also are cases in which the defined benefit plan is not being replaced by anything, Mr. Merdinger added, although he would not name funds that had done this.

Indeed, in the past few months Exxon, Phillips Petroleum and Ashland Oil have announced terminations totaling between $1.6 billion and $1.7 billion.

In New York, Exxon expects to recoup more than $1 billion in surplus pension assets through a spinoff/termination of its $5.2 billion U.S. defined benefit plan.

Exxon will purchase a special type of annuity contract that will allow it to continue to manage the assets backing its liabilities for active and retired participants, *Pensions & Investment Age*, June 23).

"We're saying in the recapture that we have accrued a substantial surplus," said Allen Harrison, assistant treasurer. "And, we deserve to use it for corporate purposes."

The $1.5 billion Phillips Petroleum pension fund, Bartlesville, Okla., will recoup about $425 million before taxes in a spinoff/termination (*P&I Age*, June 23).

The same type of special annuity contracts will be purchased to cover the Phillips fund's liabilities, said fund officials.

At Ashland Oil, Ashland, Ky., the $522 million defined benefit plan hopes to recapture between $200 million and $300 million in a spinoff/termination. (*P&I Age*, June 9).

The company plans to use a floor offset pension program in place of its terminated plan.

The fund will give employees a sizable por-

Continued on page 64

Bank problems rise as prices drop

By Brad Rudin

The oil-related financial woes of Texas banks are spilling over to their trust departments as well.

Although bank trust executives report no exodus of either key personnel or clients, they do admit their problems increased as oil prices decreased. For example:

- Some clients question the safety of their assets in banks plagued by problem loans.
- New trust business often accompanies new loans, and lending activity in the oil patch is down sharply.
- Accounts are being lost as a result of terminations of overfunded pension plans, an occurrence not unique to Texas but becoming increasingly commonplace among Sun Belt companies, the same companies that most often give their pension business to Sun Belt banks.
- The size of some trust department staffs has been cut as part of bankwide efforts to reduce costs.
- Anticipating the uneasiness of some prospective and existing clients, some banks are incorporating into their trust marketing information on the separation of the trust and commercial sides and more details on how trust assets are invested.

"Let's just say (the oil price drop) hasn't been a positive . . . that's for sure," said Ted E. Davis, a senior vice president at the First City National Bank of Houston.

"From a new-business standpoint, it probably has hurt the regional banks in this part of the country in competition because not only do they have to get over the hurdles of selling somebody on how well you manage their money or how good a custodian you are, but now you have to allay their fears that their assets are not in jeopardy," said Jack R. Hamilton, regional manager at the Houston office of Citicorp Investment Management Inc.

The financial officer of a Texas company this month approached Citicorp to manage its corporate cash, Mr. Hamilton said.

He said the executive told him: "I don't want to deal with any of the small banks here with my corporate cash. I'd rather have it in some large institution where I know it's going to be there tomorrow."

Battered by the depressed Southwestern economy, Texas trust departments have lost ground to banks in other regions. InterFirst Corp., Dallas, for example, which ranked 20th in discretionary trust asset market value in 1984, slipped to 28th last year, according to a survey of the top 100 U.S. trust departments.

The survey, published last month in American Banker, showed First City Bancorporation of Texas Inc., Houston, tumbled to 64th place after ranking 45th in 1984.

Texas American Bancshares Inc., Fort Worth, and Republic-Bank, Dallas, also slipped.

Of the five Texas banks ranked in the survey, only MCorp, Dallas, moved up — to 49th place from 99th. But the 1984 statistics covered only MBank Dallas, the lead bank of MCorp, the survey noted in a footnote.

"Partially what you are seeing there is that energy firms in Texas and the Southwest are not doing as well, therefore th ir assets are not growing as well," said David J. Pittman, senior vice president

Continued on page 64

Investment banking fees high, but tolerated

By Brad Rudin
and Marci Baker

The high fees that hel[illegible] erate wealth for inves[illegible] bankers raise eyebrows a[illegible] corporate executives who regard them as a costly, but necessary, part of doing business.

Interviews with corporate executives show Wall Street's fees generate concern on Main Street. The concern, however, rarely reaches blanket condemnation.

Although the executives criticized underwriting fees, they expressed a stronger distaste for the costs of merger and acquisition work.

"We try to watch the fees as much as we can and I think for some transactions I'm sure the fees are OK," said Thomas F. Murasky, vice president and chief financial officer at K mart Corp., Troy, Mich.

"Now the ones I read about in the paper — which we haven't been privy to in terms of all these takeovers and leveraged buy-outs — the fees seem to be enormous. From the outside looking in, it seems like they are awfully high."

Mr. Murasky referred to newspaper accounts of fees earned as a result of Dart Group Corp.'s unsuccessful efforts to acquire Safeway Stores Inc.

Yet the fees may have been a worthwhile expense, Mr. Murasky said. "Safeway may think they got a good deal because they are surviving as a corporation."

Dart's bid for Safeway also brought comment from the treasurer of the San Francisco-based DiGiorgio Corp., Christine Timmerman: "I certainly am appalled when I read the amount of dollars that go in the mergers and acquisitions area."

She referred to reports of a $10 million fee to Morgan Stanley & Co., financial adviser to Kohlberg Kravis Roberts & Co., an investment firm that thwarted Dart's efforts to acquire Safeway. A $60 million fee was earned by KKR, which made a $69-a-share tender offer for Safeway.

An earlier report cited a $15 million fee to Dart's investment banker, Drexel Burnham Lambert Inc.

"The whole transaction was so expensive you wonder whether the shareholders and the company are coming out ahead or if Wall Street is," Ms. Timmerman said.

Ms. Timmerman lamented what she said was a decline in relationship-oriented investment banking.

Too many investment bankers today are only interested in single transactions, she said.

"We're looking for relationship investment banking the way it used to be when an investment banker worked on whatever deal

Continued on page 44

Corporate fees paid to most important investment bankers*

Company type	Total fees ($ thousands)	% paid to most important banker	% paid to second most important banker
Industrials	$2,812	65%	39%
Utilities	3,126	50	29
Bank holding cos.	2,069	56	35
Thrifts	1,925	67	29
All companies	**2,562**	**62**	**3[illegible]**

* Averages

Source: Greenwich Associates, Greenwich, Conn.

Opinion

Case's solution unreasonable

A U.S. COURT OF APPEALS decision upholding below-market-rate mortgages as prudent under the Employee Retirement Income Security Act opens the doors to abuses.

The decision may have been right in terms of law and right in this particular case, which involved mortgage loans made by Local 675 Operating Engineers Pension Trust, but those concerned about the long-term security of the private pension system cannot applaud it.

The court's decision substituted a subjective standard for an objective one. Instead of being required to achieve "market rates" of return on mortgage investments, pension funds now must only achieve "reasonable rates" of return.

The trouble with this standard is that one person's reasonable rate is another's giveaway, and it can take a court case to decide who is right.

It is relatively easy to determine what the market interest rate for mortgages is. It is much more difficult to determine what is a "reasonable" rate of return.

Is it the Treasury bill rate? Is it half of the local market rate for mortgages? Three-quarters of the local market rate?

Some pension executives will keep the long-term interests of their funds in mind and will make mortgages available at only modest discounts from market rates. They will do as much homework before making the loans as the executives of Local 675 did. Others will succumb to temptation to win popularity or try to stimulate employment by offering mortgage money at large discounts and without sufficient scrutiny of the borrowers.

The Department of Labor must be prepared to challenge below-market-rate investments to establish what qualifies as "reasonable." Because the objective standard has been ruled out by one court, other courts will have to determine the meaning of "reasonable."

And pension fund trustees making below-market-rate loans can never be sure, until the matter is settled in court, whether their loans will be regarded as prudent.

Funds start looking for real deals

PUBLIC EMPLOYEE AND TAFT-HARTLEY pension funds have been slow to invest in such areas as real estate and international. But by good luck or good management, they may be investing in real estate, at least, at a propitious moment.

According to money managers and consultants, what activity there is in real estate investing is coming from public pension funds and union funds. Corporate funds are holding back, some because they are near their asset allocation limits, others because of the surplus of office space in the country.

The public and union funds have taken longer to reach the decision to invest in real estate, but having made the decision they are going ahead despite the bad news about the real estate industry.

Perhaps they remember the old saws about successful investing: "Buy on bad news and sell on good;" and "buy low and sell high."

The news about real estate is bad in many cities, and real estate prices in those cities are low.

For those with patient money, such as pension funds, this sounds like a perfect time to buy real estate.

Perhaps the public and Taft-Hartley fund tortoise will pass the corporate fund hare as it sits on the sidelines.

Letters to the editor

Transaction costs

To the Editor: Concerning the article in the June 23 issue on the subject of transactions costs, we have a couple of thoughts that might be of interest.

The first observation is that there are two types of transactions costs. The first is measurable, while the second is not.

The measurable transactions cost is the combination of commissions and the movement in stock price both before and after a transaction is initiated. This form of transactions cost is very difficult to measure but can theoretically be measured.

Aside from the commission, it is a zero sum game. If a stock trades unchanged from the prior trade, then both the buyer and seller can claim a zero transactions cost (not including commissions). If the stock moves up (or down) upon execution of an order, then the seller (or buyer) can claim to have had favorable execution with a negative transactions cost. This measurable transactions cost is essentially a zero sum game, so the measurable total transactions cost will tend to be zero, plus the commission, when averaged across all trades.

Unfortunately, this measurable transactions cost is not the true transactions cost.

The true transactions cost consists of commissions plus any change in market price vis-a-vis the price that would have existed in the absence of the transaction order. This unmeasurable cost virtually always must be positive. The price of a stock in the absence of a block sell order would surely be no lower than the price that exists once the order has been executed.

Thus, while the observable transactions costs should average zero, the true (and unmeasurable) transactions costs generally must be a positive cost. It is this unmeasurable transactions cost that represents a drain on performance if turnover is excessive. However, if it cannot be measured, one cannot ascertain its impact on portfolio performance.

In short, money management organizations are faced with a dilemma.

They know that placing a transactions order will move the stock price (vis-a-vis the absence of that order). They know that this translates into an adverse effect on performance. However, what they cannot measure, they cannot readily control.

The result is that too much attention may be focused on the measurable transactions cost. This may lead to strategies for reducing the measurable transactions cost that do not necessarily translate into a reduction in the true transactions cost. This is a pervasive problem for money management and hence for the pension sponsor. We are embarrassed to say that, while we can throw this monkey wrench into the discussion of transactions costs, we cannot propose any superior alternative.

If something is theoretically unmeasurable, how do we deal with it? We don't know.

In any event, should the subject of transactions costs come up in the future, you may find these ruminations to be useful.

Robert D. Arnott
Roger G. Clarke
President and
Managing director,
TSA Capital Management
Los Angeles

GM responds

To the Editor: I am disappointed with the recent article by Sheryl Cohen on electronic payments by General Motors. I would like to make the following points:

- As Ms. Cohen did not interview people closely involved with GM, inaccurate statements were made regarding GM's plans to pay electronically.
- GM has never discussed its plan with Professor Ned Hill who is quoted in your article. According to Professor Hill, he was quoted out of context from an interview about his 1984 paper on the cash flow time line.
- Contrary to the tone of your article, GM is developing amicable relations with the National Automated Clearing House Association.

I am hopeful that your normally high professional standards will be applied in the future.

Benson K. Woo
Director
General Motors Corp.
New York

Editor's note: Officials of General Motors — including Mr. Woo — refused to cooperate with Pensions & Investment Age *in the researching of this story. GM officials also were given an opportunity to confirm or refute the details of the story, but refused.*

Workstation error

To the Editor: In your July 21 edition, our treasury workstation product was listed incorrectly as having been developed by Integrated Cash Management Systems.

LaSalle's CashPro Treasury System was developed by Integrated Cash Management Services Inc. of New York, better known as ICM. The system was customized by us to meet the demands of the market we serve.

A California firm, Wills-Van den Burgh, developed the Integrated Cash Management System.

Dennis Rees
Product manager
Cash Management Division
ABN/LaSalle
Chicago

Editor's note: The information was supplied incorrectly on the questionnaire submitted by ABN/LaSalle.

Chase index fund

To the Editor: In your article in the July 21 issue of *Pensions & Investment Age* where bond index funds were discussed, Chase Investors Management Corp. was listed as having no bond indexation accounts; in fact, $980 million are indexed to a variety of indexes.

H. Dean Benner
Managing director-fixed income,
Chase Investors Management
New York

Yamaichi omitted

To the Editor: Our name should have been included in the Directory of International Investment Advisers Aug. 4.

Your questionnaire did not reach us as it had somehow been mailed to a wrong address.

The correct address is: Yamaichi Capital Management Inc., 2 World Trade Center, Suite 9666, New York, N.Y. 10048; (212) 912-6484.

Continued on page 50

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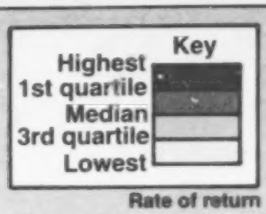
PIPER

The statistical data are extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation published by Pensions & Investment Age. *PIPER details comparative performance data on equity and fixed-income funds at more than 200 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.*

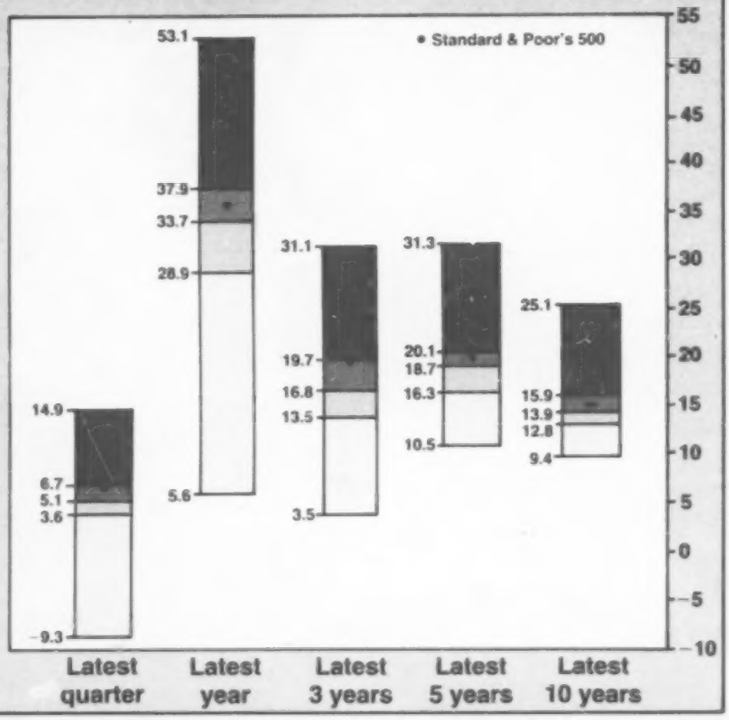
Pooled equity funds of banks and insurance companies.

All periods ending June 30,1986, and all figures, except latest quarter, are annualized total returns.

PIPER report compiled by Rogers, Casey & Barksdale Inc.



Rate of return



Pooled fixed-income funds of banks and insurance companies.

All periods ending June 30, 1986, and all figures, except latest quarter, are annualized total returns.

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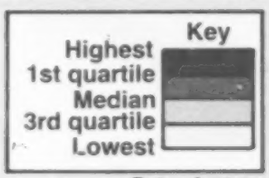

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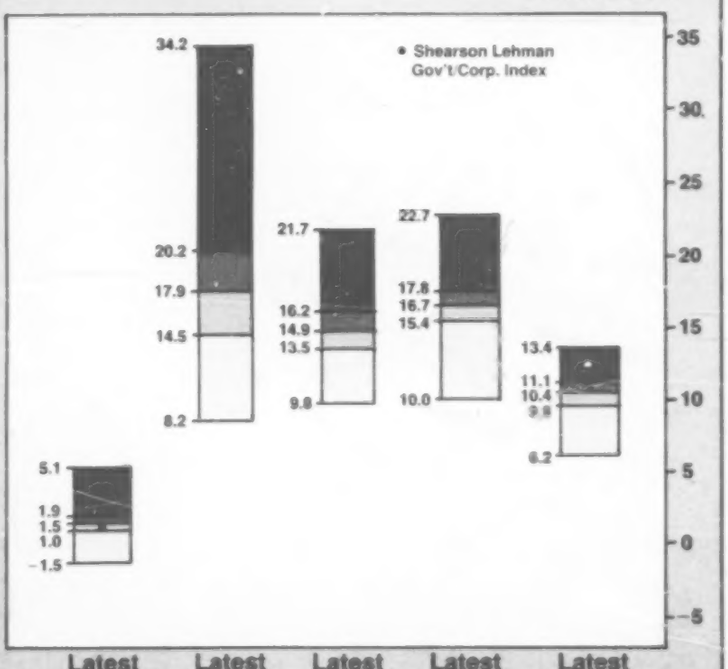

Large-cap strategy yields best results

By Trudy Ring

Investing in fairly large-capitalization companies with consistent growth produced the best results for bank and insurance company commingled funds in Pensions & Investments' Performance Evaluation Report for periods ended June 30.

While some funds had stellar performance, fewer than half managed to outperform the Standard & Poor's 500 stock index in any period of the survey. The median PIPER fund returned 5.1% in the second quarter of 1986, compared with 5.9% for the index. For the 12 months ended June 30, the median fund returned 33.7%, while the index returned 35.8%.

For the three years ended June 30, the median fund had a compound annual return of 16.8%, but the index had 19.3%. Annualized return figures for the latest five years were 18.7% for the median fund and 19.4% for the index, while for the 10-year period they were 13.9% for the median fund and 14.7% for the index.

One of the top performers in the PIPER survey was Sun Banks Inc., Orlando, Fla. Its equity fund had the best return in the three-year period, 31.1%, and the five-year span, 31.3%. It was third in the one-year period with 51.4%.

In the latest quarter and in the 10-year period, it was out of the top three but still in the top 10%. Its return for the second quarter was 8.7%, while its 10-year annualized figure was 19.1%.

About $155 million is invested in the fund, which concentrates on large-capitalization, well-known companies with above-average growth rates, said Anthony R. Gray, president of Sun Banks' investment management group.

The fund has large positions in financial services companies, especially property and casualty companies and regional banks, Mr. Gray said. Other industries it favors are consumer non-durables, drugs and technology.

Among the financial companies, some of the fund's biggest holdings are **Aetna Life & Casualty Co., Chubb Corp.** and **Toledo Trustcorp**. Favored consumer companies are **B.A.T. Industries PLC, Coca-Cola Co.** and **Ralston Purina Co.** Some drug companies it holds are **Bristol-Myers Co.** and **Merck & Co. Inc.**, while technology holdings include **Computer Associates International Inc., Digital Equipment Corp.** and **Tandem Computers Inc.**

Another top performer was First National Bank of Neenah, Wis., whose stock fund was first for the one-year period with a return of 53.1%. The fund also placed in the top 10% for the quarter, with 8.9%, and the three-year period, with 22.4%. In the longer periods, it was out of the top 10% but still above the median, with 19.4% for the five-year span and 16.2% for 10 years.

The fund, with assets of $6.5 million, is oriented toward growth stocks but not necessarily small-cap ones, said Ken Brusda, vice president and trust investment officer. About half the portfolio is in core, consistent growth stocks, one-fourth in emerging growth companies and the remainder in special situations, he said.

"What has helped the performance over the years is that this philosophy of consistent growth kept us out of the heavily cyclical areas that have been disappointing investors," Mr. Brusda said. The fund has avoided stocks in energy, capital goods and utility companies, he said, while 75% of its holdings are in consumer-oriented industrial and financial companies.

Some of the fund's core growth holdings are consumer companies such as **Philip Morris Inc., Capital Cities/ABC Inc.** and **Bristol-Myers Co.** In emerging growth companies, stocks include **Plenum Publishing Corp.**, the largest publisher and

Continued on page 20

Aggressive moves pay

Bond specialists head second-quarter list

By Rose Darby

Portfolio managers employing specialized, aggressive bond strategies coped best with the increasingly flat interest rate scenario of the second quarter and outpaced their counterparts in Pensions and Investments' Performance Evaluation Report.

A high-yield emerging company fund managed by Wellington Trust Co. of Boston was the top performer for the second quarter, with a 3.3% return.

This $20 million fund invests in the bonds of small companies with average quality ratings of B 1 or lower by Moody's Investors Service, New York, said Laurie A. Gabriel, vice president of investment administration.

In the fund, "we are getting the advantage of a much higher coupon than we would get for investment-grade securities," she said. Current yield on the emerging company fund as of June 30 averaged 12%, and the average yield to maturity averaged 11.5%, she added.

In comparison, the current yield on the Shearson Lehman Government/Corporate bond index averaged about 9%, as of June 30, and the yield to maturity averaged about 8.5%, she said.

"We think these securities do well relative to investment-grade fixed income in periods when the economic outlook for these types of companies is good or improving," Ms. Gabriel explained. "That was the case for most of the second quarter."

The roughly $37 million bond fund managed by United Capital Management, Denver, was the second fund for the quarter, with a total return of 3.2%.

First Variable Life, Little Rock, Ark., came in third for the quarter with a total return of 3.1%. Provident National Bank, Philadelphia, and The First National Bank of Shreveport, La., tied for fourth when their fixed-income funds each returned 2.9%.

The median fund had a total return of 1.5% for the three months ended June 30, and the Shearson Lehman index stood at 1.3% during that period.

Although United Capital Management came in second for the quarter, it had the champion fund for the one-, three- and five-year periods

Continued on page 21

Editor's note: The high return for the fixed-income fund for the second quarter shown in the chart at left, is wrong. The correct number for the high fund for the quarter should be 3.3%.

PIPER tables in this issue

Top quartile equity funds 14
Top equity funds by size 16
Top quartile fixed-income funds 18
Top fixed-income funds by size 19
Real estate funds 28

Top quartile commingled equity funds

3-month returns

	%
American Natl. Bank, Ind.	14.9
Summit Trust Co., N.J.	13.3
Citizens Chillicothe (B), Mo.	11.8
Bank of Delaware	11.6
Alaska Pacific Trust	10.8
First Interstate of Denver	10.6
Pittsburgh National (GRP QMS)	10.3
Bank of Oklahoma, Tulsa	10.3
Pittsburgh Natl. (COMB QMS)	10.1
First Trust Corp., Colo.	9.9
Barnett Banks Trust Co., Fla.	9.8
Indiana National Bank	9.8
First Wis. Natl., Madison	9.7
First of Toledo, Ohio	9.6
Security Pacific (E), Calif.	9.5
Hawaiian Trust	9.3
Pioneer Bank, Ill.	9.3
Associated Kellogg, Wis.	9.2
Commerce Bank, St. Louis	9.2
Sentry Life (B), Wis.	9.2
State Natl., Evanston, Ill.	9.1
California First Bank	9.0
Key Trust Co., N.Y.	9.0
South Carolina National	9.0
First of Neenah, Wis.	8.9
Unibanctrust, Ill.	8.9
Sun Bank, Fla.	8.7
Northern Central, Pa.	8.7
First Jersey Natl., N.J.	8.6
Bank of Tokyo, N.Y.	8.4
Omaha Natl. Bank, Neb.	8.3
First Fidelity Bank, N.J.	8.3
Toledo Trust, Ohio	8.3
Citicorp, N.Y.	8.2
Manufacturers Detroit	8.2
First in Bartlesville, Okla.	8.2
First of Neenah, Wis.	8.1
Long Island Trust, N.Y.	8.1
Associated Manitowoc, Wis.	8.0
Bank of Virginia	8.0
First Kentucky Trust	7.9
Lloyds Bank (D), Calif.	7.9
First Interstate Billings, Mont.	7.6
Union Trust Baltimore (D)	7.6
Morgan Guaranty, N.Y.	7.6
Fifth Third Bank, Ohio	7.4
Guardian Insurance (No. 1), N.Y.	7.4
Northern Trust (Div.), Ill.	7.3
Mellon Bank, Pa.	7.3
Great West Life, Manitoba	7.2
First Natl. of Tulsa	7.2
Hamilton Bank, Pa.	7.2
Allied Bank, Texas	7.2
Natl. Bank of Commerce, Neb.	7.1
Dominion Trust, Va.	7.1
Third Natl., Nashville	7.1
New York Life Ins. (1)	7.1
Lake Shore Natl., Ill.	7.1
NCNB National Bank, N.C.	7.0
Chemical Bank (1), N.Y.	7.0
First of Oklahoma	7.0
Seafirst Bank, Wash.	6.9
Northern Trust (Conc.), Ill.	6.8
Boston Safe Deposit	6.8
Citizens Fidelity (E), Ky.	6.8
MTrust, Texas	6.7
Society National, Ohio	6.7
Natwest USA, N.Y.	6.7
Riggs of Washington	6.7
Penn Mutual Life (A), Pa.	6.7
Merchants National (2), Ind.	6.7
Lincoln Natl. Pens., Ind.	6.7
Provident Bank, Ohio	6.7
Standard & Poor's 500	**5.9**

The directory of real estate advisers will appear Sept. 15.

1-year returns

	%
First of Neenah, Wis.	53.1
American Natl. Bank, Ind.	52.2
Sun Bank, Fla.	51.4
First Trust Corp., Colo.	51.1
Northern Central, Pa.	50.8
Pioneer Bank, Ill.	50.7
Pittsburgh Natl. (COMB QMS)	50.6
Pittsburgh Natl. (GRP QMS)	48.7
Omaha Natl. Bank, Neb.	48.6
New York Life Ins. (1)	48.6
First Interstate of Denver	48.6
Puget Sound Natl., Wash.	48.6
Bank of Virginia	47.9
Summit Trust Co., N.J.	47.1
First of Neenah, Wis.	47.0
South Carolina National	46.5
Mutual of America (2), N.Y.	46.1
First of Toledo, Ohio	44.9
Guardian Insurance (1), N.Y.	44.6
Alaska Pacific Trust	44.0
State Natl., Evanston, Ill.	44.0
Bank of Delaware	43.6
Barnett Banks Trust Co., Fla.	43.5
Nationwide Life Ins., Ohio	43.3
Commerce Bank, St. Louis	43.3
Citizens Chillicothe (B), Mo.	43.2
Philadelphia National	42.9
First of America, Mich.	42.9
First Bank, Milwaukee	42.8
Security Pacific (E), Calif.	42.3
Seattle Trust, Wash.	42.2
First Fidelity Bank, N.J.	41.8
Associated Kellogg, Wis.	41.4
American Natl. Bank, Ind.	41.1
Manufacturers Detroit	41.1
Bankers Life, Iowa	41.0
New Jersey National	40.8
Republic Natl., Dallas	40.4
Associated Manitowoc, Wis.	40.4
Indiana National Bank	40.2
First of Oklahoma	40.2
American Natl., Chicago	39.9
Mellon Bank, Pa.	39.7
Employers Life of Wausau (1)	39.7
Continental Bancorp, Pa.	39.7
CREF	39.7
First Security Natl. (D), Ky.	39.6
Riggs of Washington	39.4
Natl. City, Cleveland	39.3
Chemical Bank (2), N.Y.	39.2
Manufacturers Hanover, N.Y.	39.1
Bank of New York	39.0
First Jersey Natl.	38.9
Merchants Natl. (I), Ind.	38.7
Pacific Mutual, Calif.	38.7
Key Trust Co., N.Y.	38.6
First Kentucky Trust	38.6
California First Bank	38.5
Natwest USA, N.Y.	38.3
Allied Bank, Texas	38.3
Norwest Bank, Minn.	38.3
Hawaiian Trust	38.3
Merchants National (2), Ind.	38.3
Texas Commerce	38.2
Old Second National, Ill.	38.2
Mutual Benefit, N.J.	38.2
Harris Trust, Ill.	38.0
Liberty National, Okla.	37.9
Standard & Poor's 500	**35.8**

3-year returns

	%
Sun Bank, Fla.	31.1
Northern States Trust Co., Ill.	27.9
Bank of the West, Calif.	26.3
First of America, Mich.	25.6
Manufacturers Detroit	25.5
Bank of New England, Mass.	25.1
New Jersey National	25.1
Nationwide Life Ins., Ohio	24.8
MTrust, Fort Worth, Texas	24.7
Alaska Pacific Trust	24.4
First Interstate of Oregon	24.3
State Natl., Evanston, Ill.	24.2
Guardian Insurance (1), N.Y.	24.2
Mellon Bank, Pa.	24.0
First Trust Corp., Colo.	23.8
LaSalle National, Ill.	23.0
Republic Natl., Dallas	22.9
Bank of Virginia	22.8
First Union Bank, N.C.	22.4
First of Neenah, Wis.	22.4
Barnett Banks Trust Co., Fla.	22.2
New York Life Ins. (1)	22.2
First of Neenah, Wis.	22.2
Prudential, N.J.	22.0
First Jersey Natl., N.J.	22.0
Pittsburgh Natl. (COMB QMS)	22.0
Frost National (A), Texas	21.9
Citytrust (E1), Conn.	21.7
Pittsburgh Natl. (GRP QMS)	21.5
Provident National, Pa.	21.4
Dominion Trust, Va.	21.3
American Natl. Bank, Ind.	21.3
Continental Bancorp, Pa.	21.1
US Trust, N.Y.	21.1
Riggs of Washington	20.9
Cullen Bank, Texas	20.9
Lake Shore Natl., Ill.	20.7
First of Omaha (D), Neb.	20.7
Citizens Fidelity (E), Ky.	20.6
Old Kent, Mich.	20.6
Dauphin Deposit, Pa.	20.6
Bank of Tokyo, N.Y.	20.5
Merchants Natl. (2), Ind.	20.4
First Security Natl. (D), Ky.	20.3
Mercantile Trust, Mo.	20.3
Pioneer Bank, Ill.	20.3
US Natl. of Galveston, Texas	20.2
First in Bartlesville, Okla.	20.1
Mutual of New York	20.1
American National, Chicago	20.0
AmeriTrust, Ohio	20.0
CREF	20.0
Sentry Life (B), Wis.	20.0
Natwest USA, N.Y.	19.9
Massachusetts Mutual	19.9
American Natl. Bank, Ind.	19.8
Colorado National Bank	19.8
John Hancock (1K), Mass.	19.7
Summit Trust Co., N.J.	19.7
Valley Fidelity, Tenn.	19.7
Natl. Bank of Commerce, Tenn.	19.7
John Hancock (1L), Mass.	19.7
Great West Life, Manitoba	19.7
Standard & Poor's 500	**19.3**

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5-year returns

	%
Sun Bank, Fla.	31.3
Manufacturers Life, Ontario	26.5
Guardian Insurance (1), N.Y.	25.7
First Union Bank, N.C.	25.5
Manufacturers Detroit	25.0
Pioneer Bank, Ill.	24.4
Nationwide Life Ins., Ohio	24.0
First of Oklahoma	23.6
Lake Shore Natl., Ill.	23.4
Dauphin Deposit, Pa.	23.3
Bank of Virginia	23.2
Mutual Benefit, N.J.	23.0
New Jersey National	23.0
First Interstate of Oregon	23.0
First of America, Mich.	22.9
Connecticut Mutual Life	22.8
New England Mutual, Mass.	22.6
MTrust, Fort Worth, Texas	22.4
Barnett Banks Trust Co., Fla.	22.4
Resource Bank & Trust, Minn.	22.0
First Security Natl. (D), Ky.	22.0
American Natl., Chicago	22.0
Pittsburgh Natl. (COMB QMS)	21.9
Merchants Natl. (2), Ind.	21.9
First Trust Corp., Colo.	21.7
First Bank Milwaukee	21.7

Top equity funds by size

1-year returns

Over $100 million

	%
Sun Bank, Fla.	51.4
Philadelphia National	42.9
Manufacturers Detroit	41.1
Republic Natl., Dallas	40.4
American Natl., Chicago	39.9
Mellon Bank, Pa.	39.7
CREF	39.7
Natl. City, Cleveland	39.3
Manufacturers Hanover, N.Y.	39.1
Norwest Bank, Minn.	38.3

$50 million to $100 million

	%
New York Life Ins. (1), N.Y.	48.6
First Interstate of Denver	48.6
Continental Bancorp, Pa.	39.7
Bank of New York	39.0
First Jersey Natl. N.J.	38.9
Pacific Mutual, Calif.	38.7
Liberty Natl., Okla.	37.9
Natl. Bank of Commerce	37.8
First of America, Mich.	37.4
Society National, Ohio	37.1

$10 million to $50 million

	%
First Trust Corp., Colo.	51.1
Northern Central, Pa.	50.8
Pittsburgh Natl. (Grp Qms)	48.7
Omaha Natl. Bank, Neb.	48.6
Bank of Virginia	47.9
Summit Trust Co., N.J.	47.1
First of Neenah, Wis.	47.0
South Carolina Natl.	46.5
Mutual of America (2), N.Y.	46.1
First of Toledo	44.9

Under $10 million

	%
First of Neenah, Wis.	53.1
American Natl., Ind.	52.2
Pioneer Bank, Ill.	50.7
Pittsburgh Natl. (Comb Qms)	50.6
Puget Sound Natl., Wash.	48.6
Alaska Pacific Trust	44.0
American Natl. Bank, Ind.	41.1
Bankers Life, Iowa	41.0
Old Second Natl., Ill.	38.2
First United Trust (G), Ill.	36.8

10-year returns

Over $100 million

	%
First Wis. Natl., Madison	21.5
American Natl., Chicago	20.8
Sun Bank, Fla.	19.1
US Natl. of Oregon	18.6
First Union Bank, N.C.	18.4
Provident Natl., Pa.	18.4
Bessemer Trust, N.Y.	18.3
Manufacturers Detroit	18.1
MTrust, Texas	17.9
Equitable Life (4), N.Y.	17.4

$50 million to $100 million

	%
Manufacturers Life, Ont.	25.1
First Interstate of Denver	19.2
Natl. Bank of Commerce	18.4
New England Mutual	17.9
Continental Bancorp, Pa.	17.7
First of America, Mich.	17.5
First Jersey Natl., N.J.	17.1
Fifth Third Bank, Ohio	16.8
First Interstate of Oregon	16.3
AmSouth, Ala.	16.3

$10 million to $50 million

	%
Guardian Insurance (1), N.Y.	22.5
Citizens Chillicothe (B), Mo.	21.0
First Trust Corp, Colo.	20.9
US Natl. of Galveston	19.8
First of Oklahoma	18.9
Nationwide Life Ins., Ohio	18.1
State Natl., Evanston, Ill.	18.1
Confederation Life, Ont.	17.7
First of Omaha (D)	17.5
Bank of Virginia	17.5

Under $10 million

	%
Bankers Life, Iowa	17.6
Pittsburgh Natl. (Comb Qms)	17.1
First of Neenah, Wis.	16.2
Wheeling Dollar Bank, W.Va.	15.7
Unibanctrust, Ill.	15.2
First Natl. of Commerce, La.	15.1
Union Central, Ohio	14.6
Old Second Natl., Ill.	14.1
Union Trust Baltimore (D)	14.0
American Natl. Bank, Ind.	14.0

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*Based on Risk Return Performance Comparisons report issued by Frank Russell Company for Investment Advisor Separate Accounts and Balanced Separate Accounts for five years ending 12/31/85. Universe includes over 120 portfolios.

First of Omaha (D), Neb.	21.7
Texas Commerce	21.6
US Natl. of Galveston, Texas	21.5
First Wis. Natl., Madison	21.4
Pittsburgh Natl. (GRP QMS)	21.4
Provident National, Pa.	21.3
MTrust, Texas	21.2
First Kentucky Trust	21.2
Continental Bancorp, Pa.	21.2
Bank of the West, Calif.	21.2
Prudential, N.J.	21.1
John Hancock (1L), Mass.	21.0
First Fidelity Bank, N.J.	21.0
Old Kent, Mich.	20.9
Republic Natl., Dallas	20.7
Summit Trust Co., N.J.	20.7
US Natl. of Oregon	20.7
Colorado National Bank	20.6
Seattle Trust, Wash.	20.5
First of Neenah, Wis.	20.5
Citytrust (E1), Conn.	20.5
Gary Wheaton Bank, Ill.	20.5
Bank of Delaware	20.4
Natl. Bank of Commerce, Tenn.	20.4
First Variable Life, Ark.	20.4
Great West Life, Manitoba	20.4
Massachusetts Mutual	20.4
First Jersey Natl., N.J.	20.3
American Natl. Bank, Ind.	20.3
Society National, Ohio	20.3
Bank of Tokyo, N.Y.	20.3
State Natl., Evanston, Ill.	20.3
AmSouth, Ala.	20.1
First Wisconsin Trust	20.1
Standard & Poor's 500	**19.4**

10-year returns

	%
Manufacturers Life, Ontario	25.1
Guardian Insurance (1), N.Y.	22.5
First Wis. Natl., Madison	21.5
Citizens Chillicothe (B), Mo.	21.0
First Trust Corp., Colo.	20.9
American Natl., Chicago	20.8
US Natl. of Galveston, Texas	19.8
First Interstate of Denver	19.2
Sun Bank, Fla.	19.1
First of Oklahoma	18.9
US Natl. of Oregon	18.6
First Union Bank, N.C.	18.4
Natl. Bank of Commerce, Neb.	18.4
Provident National, Pa.	18.4
Bessemer Trust, N.Y.	18.3
Nationwide Life Ins., Ohio	18.1
Manufacturers Detroit	18.1
State Natl., Evanston, Ill.	18.1
MTrust, Texas	17.9
New England Mutual, Mass.	17.9
Continental Bancorp, Pa.	17.7
Confederation Life, Ontario	17.7
Bankers Life, Iowa	17.6
First of Omaha (D), Neb.	17.5
Bank of Virginia	17.5
First of America, Mich.	17.5
First Variable Life, Ark.	17.5
Equitable Life (4), N.Y.	17.4
Employers Life of Wausau (1)	17.3
First Jersey Natl., N.J.	17.1
Pittsburgh Natl. (COMB QMS)	17.1
Massachusetts Mutual	17.0
MTrust, Fort Worth, Texas	16.9
IAA Trust Co. (C), Ill.	16.8
Fifth Third Bank, Ohio	16.8
Penn Mutual Life (A), Pa.	16.8
Aetna Life & Cas., Conn.	16.6
National City Cleveland	16.5
Bank of Tokyo, N.Y.	16.4
First Interstate of Oregon	16.3
AmSouth, Ala.	16.3
Texas Commerce	16.2
First of Neenah, Wis.	16.2
First Natl. Lincoln, Neb.	16.2
First Interstate of Wash.	16.2
Philadelphia National	16.1
Liberty National, Okla.	16.0
Valley Fidelity, Tenn.	15.9
Chicago Title & Trust	15.9
Omaha Natl. Bank, Neb.	15.9
United of Denver	15.9
Home Life, N.Y.	15.9
Standard & Poor's 500	**14.7**

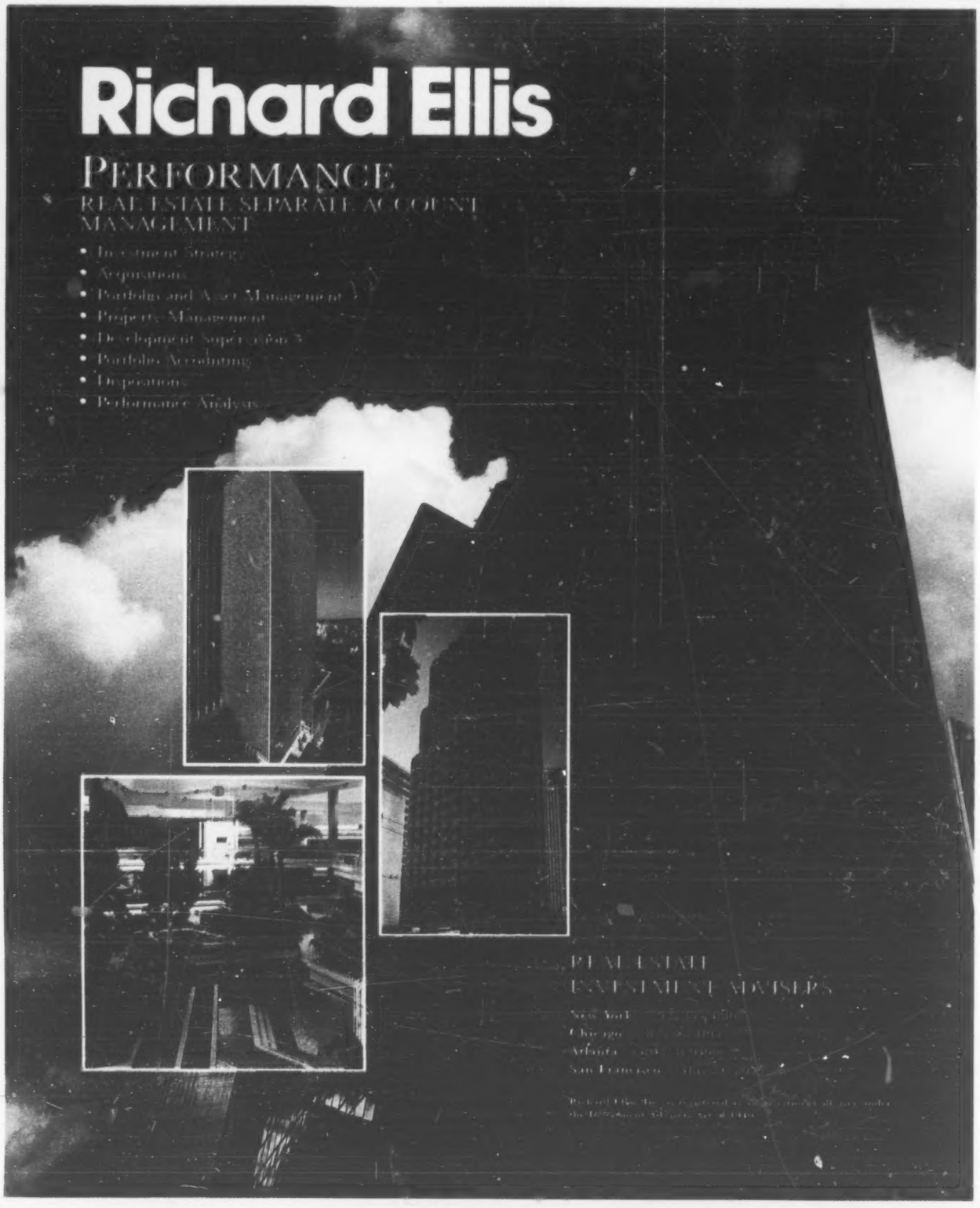
Top quartile commingled fixed-income funds

3-month returns

	%
Wellington Trust (Emerg.), Mass.	3.3
United of Denver	3.2
First Variable Life, Ark.	3.1
Provident National, Pa.	2.9
First of Shreveport, La.	2.9
Mercantile Natl., Ind.	2.8
Norstar Trust Co., N.Y.	2.8
Morgan Guaranty, N.Y.	2.7
Northern Central, Pa.	2.7
Connecticut Natl. Bank (EB)	2.7
Wilmington Trust, Del.	2.7
Philadelphia Natl., Pa.	2.6
First Wis. Natl., Madison	2.6
First of Chicago	2.6
Lloyds Bank (C), Calif.	2.6
Associated Manitowoc, Wis.	2.5
Frost National, Texas	2.5
Michigan Natl. of Detroit	2.5
Mercantile Safe, Md.	2.5
Hawaiian Trust (Def.)	2.5
Sun Bank, Fla.	2.5
Travelers (D), Conn.	2.5
Union Natl. Wichita, Kan.	2.5
First Interstate of Ariz.	2.5
Home Life, N.Y.	2.5
Citicorp, N.Y.	2.5
Chase Manhattan (Short-inter.)	2.4
Bankers Life, Iowa	2.4
AmeriTrust, Ohio	2.4
Union Trust, Baltimore	2.4
First Natl. of Commerce, La.	2.4
Union Central, Ohio	2.4
Crown Life, Ontario	2.4
First Interstate of Denver	2.4
Prudential (VCA 8), N.J.	2.4
Connecticut Bank & Trust	2.4
Seattle Trust, Wash.	2.4
First of Penna., Erie	2.4
Trust Svcs of Amer., Calif.	2.4
Marine Midland, N.Y.	2.4
First of Neenah, Wis.	2.4
Interfirst Bank Dallas	2.4
Alaska Pacific Trust	2.4
Pioneer Bank, Ill.	2.4
Jefferson Trust, Ill.	2.4
First of Cincinnati	2.4
Calcasieu Marine Natl. (E), La.	2.4
First Midwest, Moline, Ill.	2.4
AmSouth, Ala.	2.4
Valley Fidelity, Tenn.	2.4
Summit Trust Co., N.J.	2.4
Long Island Trust, N.Y.	2.4
AmeriTrust, Ohio	2.4
Puget Sound Natl., Wash.	2.4
Shawmut Bank (Intermed.), Mass.	2.4
American Natl. Bank, Ind.	2.4
First of Elgin (D1), Ill.	2.4
Greeley Natl., Colo.	2.4
South Carolina Natl. (F), S.C.	2.4
Wheeling Dollar Bank, W. Va.	2.4
American Natl. Bank, Tenn.	2.4
Liberty National, Okla.	2.4
Shearson Lehman Index	**2.4**

1-year returns

United of Denver	3.2
Centerre Trust, Mo.	3.1
Equitable Life (5), N.Y.	3.1
First Interstate of Denver	3.1
Chase Manhattan, N.Y.	3.1
Manufacturers Life, Ontario	3.1
LaSalle National, Ill.	3.1
Hawaiian Trust (Bond)	3.1
Metropolitan Life (41), N.Y.	3.1
Citicorp, N.Y.	3.1
Connecticut National Bank (EB)	3.1
Bankers Life, Iowa	3.1
Travelers (P), Conn.	3.1
CIGNA Corp., Conn.	3.1
Republic Natl., Dallas	3.1
Fidelity Bank, Pa.	3.1
First Interstate of Ariz.	3.1
Life of Virginia	3.1
First Trust Corp., Colo.	3.1
Natwest USA, N.Y.	3.1
Philadelphia Natl., Pa.	3.1
Trust Co. of Georgia	3.1
Connecticut Natl. (Intermed.)	3.1
Natl. Bank of Commerce, Neb.	3.1
Continental Illinois	3.1
Chase Manhattan (A), N.Y.	3.1
John Hancock, Mass.	3.1
MTrust, Texas	3.1
IAA Trust Co. (B), Ill.	3.1
Provident National, Pa.	3.1
American Security, D.C.	3.1
Wellington Trust (Intermed.)	3.1
Comerica Bank, Mich.	3.1
First Jersey Natl., N.J.	3.1
Morgan Guaranty, N.Y.	3.1
Manufacturers Hanover, N.Y.	3.1
First Kentucky Trust	3.1
Citizens & Southern, Ga.	3.1
First Variable Life, Ark.	3.1
First of Omaha (C), Neb.	3.1
Key Trust Co., N.Y.	3.1
Sovran Bank, Va.	3.1
Beverly Bank, Ill.	3.1
Bessemer Trust, N.Y.	3.1
First of Boston, Mass.	3.1
Aetna Life & Cas. (76), Conn.	3.1
Bank of New England, Mass.	3.1
Shawmut Bank (fixed), Mass.	3.1
Chemical Bank (2), N.Y.	3.1
Union Labor Life (F), D.C.	3.1
Lincoln Natl. Pens., Ind.	3.1
Prudential (VCA 7), N.J.	3.1
Shearson Lehman Index	**3.1**
Society National, Ohio	3.1
First City Natl., Houston	3.1
Liberty National, Ky.	3.1
Security Pacific (F), Calif.	3.1



Top fixed funds by size

1-year returns

Over $100 million

	%
Equitable Life (5), N.Y.	31.9
Chase Manhattan, N.Y.	30.7
Bankers Life, Iowa	25.9
CIGNA Corp., Conn.	25.7
Life of Virginia	23.3
Chase Manhattan (A), N.Y.	22.6
John Hancock, Mass.	22.4
American Security, D.C.	22.0
Manufacturers Hanover, N.Y.	21.7
Aetna Life & Cas. (76), Conn.	21.2

$50 million to $100 million

	%
Centerre Trust, Mo.	32.8
First Interstate of Denver	31.0
Metropolitan Life (41), N.Y.	26.9
Citicorp, N.Y.	26.7
Travelers (P), Conn.	25.8
Trust Co. of Georgia	22.8
Continental Illinois	22.7
Provident Natl., Pa.	22.2
Comerica Bank, Mich.	21.9
First Kentucky Trust	21.6

$10 million to $50 million

	%
United of Denver	34.2
Hawaiian Trust	27.1
Fidelity Bank, Pa.	24.3
Natwest USA, N.Y.	23.1
Philadelphia Natl.	23.1
Connecticut Natl. Bank	22.8
Natl. Bank of Commerce	22.7
MTrust, Texas	22.3
Wellington Trust, Mass.	22.0
Citizens & Southern, Ga.	21.5

Under $10 million

	%
Manufacturers Life, Ont.	28.6
LaSalle National, Ill.	28.3
Connecticut National Bank	25.9
First Interstate of Ariz.	23.5
First Trust Corp., Colo.	23.2
IAA Trust Co. (B), Ill.	22.2
First Variable Life, Ark.	21.4
Key Trust Co., N.Y.	21.3
Beverly Bank, Ill.	21.2
Union Natl., Wichita, Kan.	20.2

10-year returns

Over $100 million

	%
Life of Virginia	13.4
Texas Commerce	12.5
American Security, D.C.	12.4
Manufacturers Hanover, N.Y.	12.2
Boatmen's Natl., Mo.	11.9
CIGNA Corp., Conn.	11.7
John Hancock, Mass.	11.6
Bank of New England, Mass.	11.6
Mercantile Trust, Mo.	11.5
Wachovia Bank, N.C.	11.0

$50 million to $100 million

	%
Sovran Bank, Va.	13.2
Centerre Trust, Mo.	13.1
Pacific Mutual, Calif.	13.0
Hibernia Natl., La.	12.5
First Interstate of Denver	12.1
First Kentucky Trust	11.9
Manufacturers Detroit	11.7
Citicorp, N.Y.	11.7
Bankers Trust (B), N.Y.	11.3
First Fidelity Bank, N.J.	11.3

$10 million to $50 million

	%
United of Denver	13.4
Bank IV, Wichita, Kan.	13.3
Fidelity Bank, Pa.	12.6
Seafirst Bank, Wash.	12.4
First Wis. Natl., Madison	12.0
American Natl. Bank, Tenn.	11.6
Lloyds Bank (C), Calif.	11.5
Merchants Natl., Pa.	11.4
Commerce Union, Tenn.	11.4
Indiana National Bank	11.2

Under $10 million

	%
Beverly Bank, Ill.	12.7
Central Fidelity, Va.	12.0
First Interstate of Ariz.	11.9
Connecticut National Bank	11.4
Key Trust Co., N.Y.	11.2
IAA Trust Co. (B), Ill.	11.1
Oregon Bank	11.1
First of Maryland	11.1
First of Neenah, Wis.	10.9
Colonial American Natl., Va.	10.8
American Natl. Bank, Tenn.	20.4
Harris Trust, Ill.	20.4
Bank of California	20.4
Mellon Bank, Pa.	20.4
First Wisconsin Trust	20.3
Interfirst Bank, Dallas	20.3
Union Natl., Wichita, Kan.	20.2

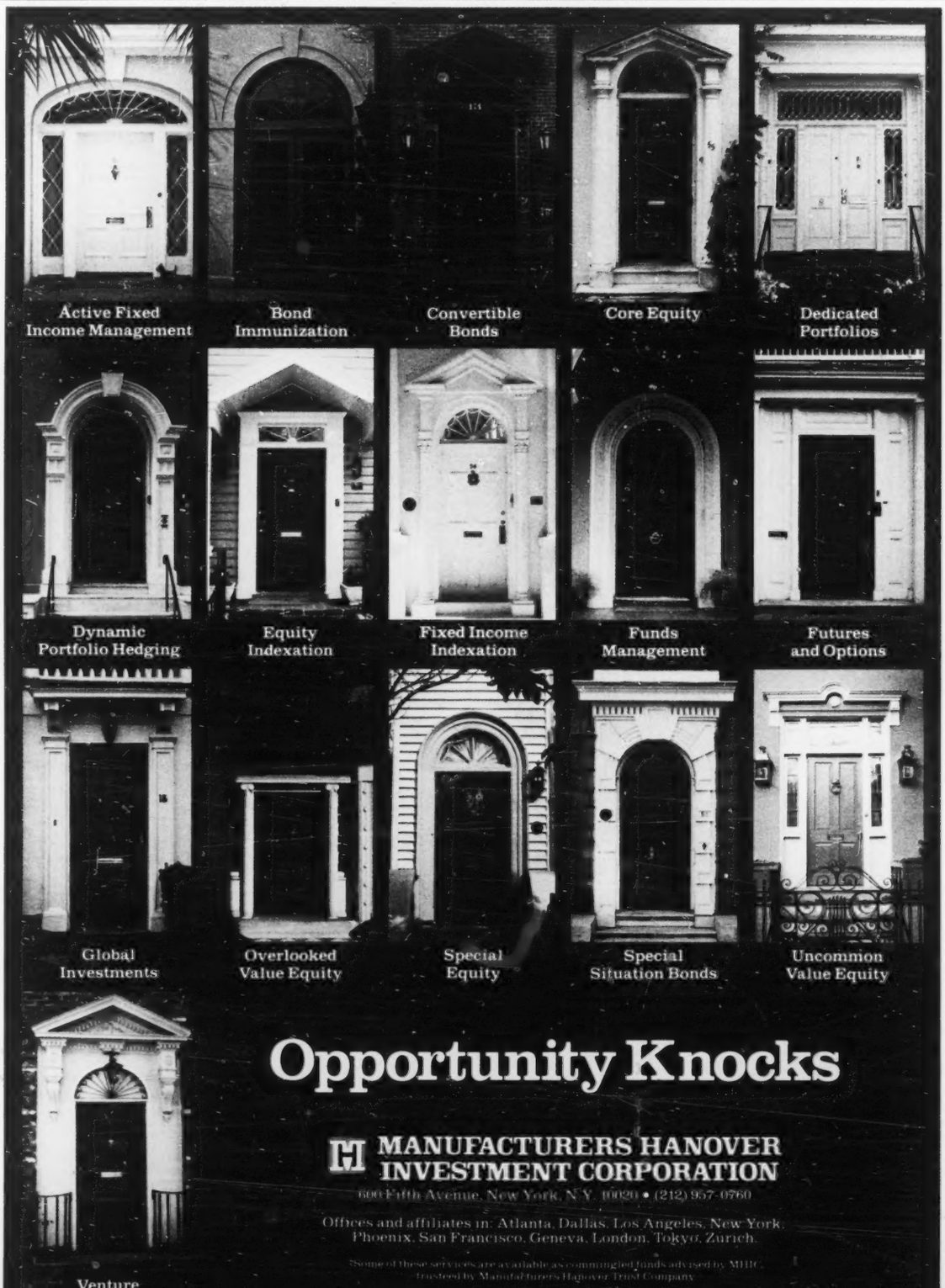
3-year returns

	%
United of Denver	21.7
Centerre Trust, Mo.	20.5
First Interstate of Denver	20.3
Equitable Life (5), N.Y.	20.1
IAA Trust Co. (B), Ill.	18.9
Connecticut National Bank	18.8
Travelers (P), Conn.	18.8
Life of Virginia	18.6
Trust Svcs of America, Calif.	18.3
Manufacturers Life, Ontario	18.3
First Interstate of Ariz.	18.2
Citicorp, N.Y.	18.0
First Trust Corp., Colo.	17.6
Beverly Bank, Ill.	17.5
John Hancock, Mass.	17.4
Security Pacific (F), Calif.	17.3
Central Fidelity, Va.	17.2
Philadelphia Natl., Pa.	17.2
American Security, D.C.	17.2
Republic Natl., Dallas	17.2
CIGNA Corp. (Pub. traded), Conn.	17.1
First Kentucky Trust	17.1
First Variable Life, Ark.	17.0
Trust Co. of Georgia	17.0
Colorado National Bank	16.9
Pacific Mutual, Calif.	16.9
Bank of California	16.9
Morgan Guaranty, N.Y.	16.9
Hawaiian Trust (Bond)	16.8
First of Omaha (C), Neb.	16.7
Sovran Bank, Va.	16.7
Natwest USA, N.Y.	16.7
AmSouth, Ala.	16.7
Fidelity Bank, Pa.	16.6
First Wis. Natl., Madison	16.6
Connecticut National Bank	16.6
First Union Bank (1), N.C.	16.6
First Jersey Natl., N.J.	16.5
Wellington Trust (Intermed.)	16.5
First Interstate of Nevada	16.5
First of Chicago	16.5
Key Trust Co., N.Y.	16.5
Shearson Lehman Index	**16.5**
Lloyds Bank (C), Calif.	16.4
Liberty National, Ky.	16.4
Colonial American Natl., Va.	16.4
Mellon Bank, Pa.	16.4
Natl. Bank of Commerce, Neb.	16.3
Hamilton Bank, Pa.	16.3
Harris Trust, Ill.	16.3
Lincoln Natl. Pens, Ind.	16.3
Manufacturers Detroit	16.3
Provident Natl., Pa.	16.2
Northern Trust, Ill.	16.2
Aetna Life & Cas. (76), Conn.	16.2
Shawmut Bank, Mass.	16.2
Central Trust, Ohio	16.2
American Natl. Bank, Tenn.	16.2
CIGNA Corp. (Intermed.), Conn.	16.2
Society National, Ohio	16.2

5-year returns

	%
United of Denver	22.7
Centerre Trust, Mo.	22.0
First Interstate of Denver	21.8
Life of Virginia	21.7
Citicorp, N.Y.	20.5
First Kentucky Trust	20.2
Connecticut National Bank	20.1
Trust Svcs of Amer., Calif.	20.0
American Security, D.C.	20.0
First Wis. Natl., Madison	19.8
Sovran Bank, Va.	19.8
Equitable Life (5), N.Y.	19.7
John Hancock, Mass.	19.6
CIGNA Corp. (Pub. traded), Conn.	19.6
Society National, Ohio	19.6
Beverly Bank, Ill.	19.4
AmSouth, Ala.	19.4
IAA Trust Co. (B), Ill.	19.3
Pacific Mutual, Calif.	19.2
First Interstate of Ariz.	19.1
Colorado National Bank	19.1
Lloyds Bank (C), Calif.	18.9
CIGNA Corp. (Intermed.), Conn.	18.7
Key Trust Co., N.Y.	18.7
Bank of California	18.7
Marine Midland, N.Y.	18.7
First of Chicago	18.6
Travelers (D), Conn.	18.6
Morgan Guaranty, N.Y.	18.6
Bankers Trust (A), N.Y.	18.6
Associated Manitowoc, Wis.	18.6
Travelers (P), Conn.	18.5
Natl. Bank of Commerce, Neb.	18.5
Philadelphia Natl., Pa.	18.5
Wachovia Bank, N.C.	18.5
Mellon Bank, Pa.	18.5
Mutual of New York	18.5
Central Fidelity, Va.	18.4
First Variable Life, Ark.	18.4
Liberty National, Ky.	18.4

Continued on page 22


Active Fixed Income Management
Bond Immunization
Convertible Bonds
Core Equity
Dedicated Portfolios
Dynamic Portfolio Hedging
Equity Indexation
Fixed Income Indexation
Funds Management
Futures and Options
Global Investments
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Stock funds lag index during 2nd quarter

WAYNE, Pa. — The median fund in the SEI Funds Evaluation Services Inc. universe returned 3.5% in the second quarter, as the stock market continued to climb and the bond market stumbled slightly.

The median equity-only return among funds in SEI's data base was 5.3%, compared with 5.9% for the Standard & Poor's 500 stock index. The median bond return was 1.6%, compared with 1.1% for the Salomon Brothers Broad Investment Grade bond index.

The stock market had a weak start in April but was buoyant during the remainder of the quarter. In the bond market, a steepening yield curve led to price increases for short-term issues and declines for bonds with longer maturities.

The median total fund in SEI's universe returned 14.9% for the six months ended June 30 and 26.1% for the 12 months. The median equity return was 22% for the six-month period and 37.8% for the year, compared with S&P 500 returns of 20.8% and 35.9%, respectively. The median bond return was 8.5% for the six months and 19% for the year, compared with 9% and 19.9%, respectively, for the Salomon Brothers index.

The best-performing stock market sector in the second quarter was consumer staples, which returned 16.1%. It returned 39% for the first six months of 1986 and 62.2% for the latest 12-month period.

Health stocks also had a double-digit gain in the quarter, with 15.1%. They were the top performer for the six-month period, returning 39.5%, and second to consumer staples in the 12-month period, with a 57% gain.

Four of the 11 stock market sectors tracked by SEI had negative returns in the quarter. These were producer durables, down 0.6%; building, down 2.8%; finance, down 3.9%; and transportation, down 7.5%. No sectors had negative returns for the longer periods.

Among bond market sectors, those issued by finance companies had the best quarterly return, up 2.2%. These issues were up 8.7% for the six months ended June 30 and 17.8% for the 12-month period.

Utility bonds performed best in the longer periods, with gains of 10.6% for the six months and 24.9% for the year. They returned just 0.7% in the second quarter.

As rated by quality, BBB rated bonds performed best in the quarter, with a gain of 1.8%. A rated issues gained 1.5%, while AAA and AA issues gained 1%. As rated by maturity, intermediate bonds performed best, up 1.4% in the quarter, while long-term issues were up just 0.2%.

The second quarter was marked by a slight increase in funds' commitments to cash equivalents, according to SEI. The median cash commitment was 6.8% as of June 30, up from 5.9% March 30. Median equity and bond commitments both dropped somewhat — equities to 54.2% from 55.2% and bonds to 31.5% from 32.9%.

The quarter saw increased interest in manager hirings, with defensive, value-oriented equity styles the most popular, SEI's report said. Also, international managers accounted for more than 25% of search activity.

Interest in portfolio insurance also increased, but pension fund executives had questions about the cost of these programs and whether they will work as promised. Other topics occupying pension executives during the quarter were asset allocation structures and policies.

Shearson Lehman Index	**18.3**
First of Omaha (C), Neb.	18.2
Hawaiian Trust (Bond)	18.2
Hamilton Bank, Pa.	18.1
Republic Natl., Dallas	18.1
Trust Co. of Georgia	18.1
Bank of New York	18.0
Natwest USA, N.Y.	18.0
State Street Bank, Mass.	17.9
American National, Minn.	17.9
First Trust Corp., Colo.	17.8
Fidelity Bank, Pa.	17.8
Toledo Trust, Ohio	17.8
Interfirst Bank, Dallas	17.8
First Jersey Natl., N.J.	17.8
Northern Trust, Ill.	17.8

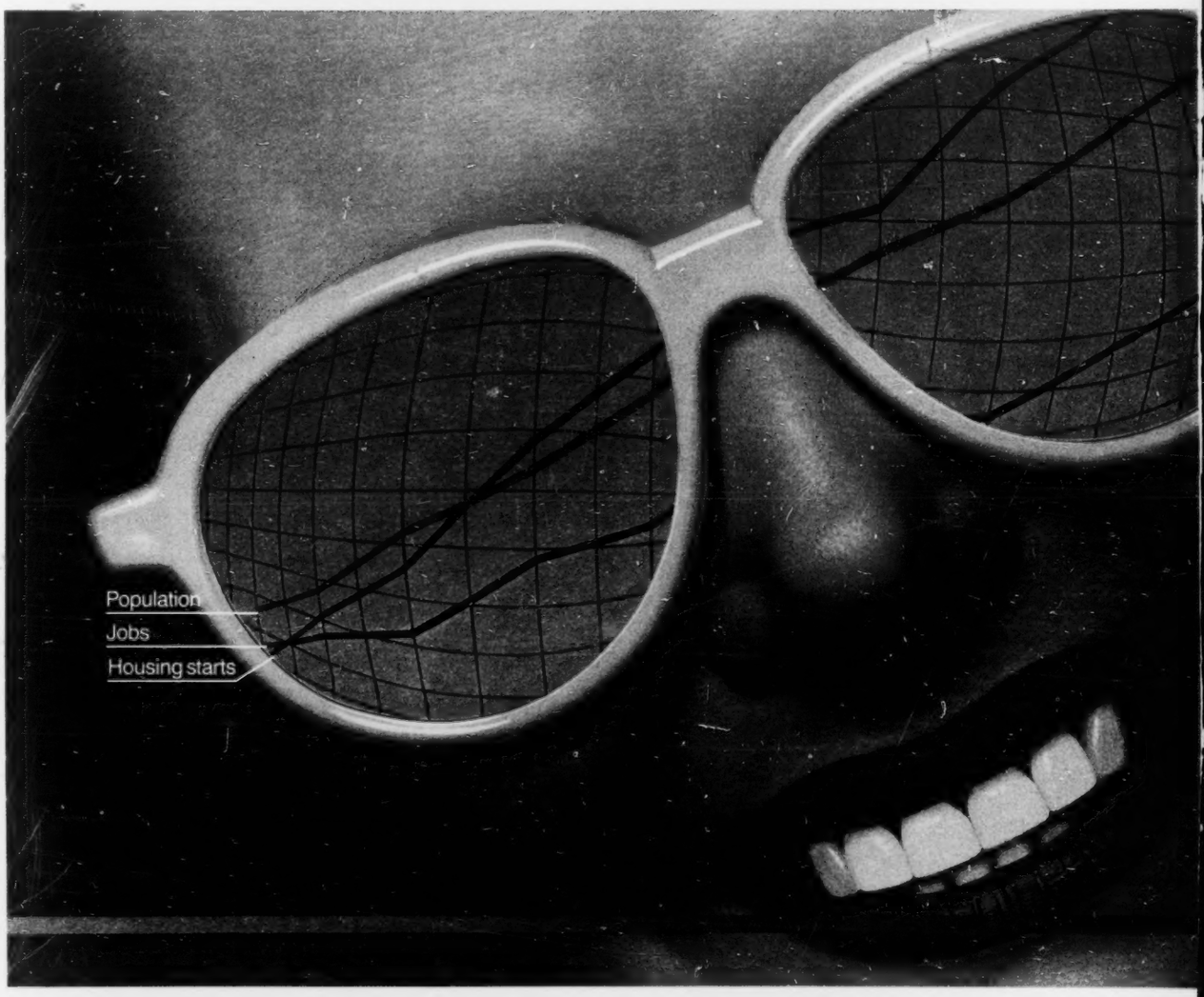
10-year returns

	%
Life of Virginia	13.4
United of Denver	13.4
Bank IV, Wichita, Kan.	13.3
Sovran Bank, Va.	13.2
Centerre Trust, Mo.	13.1
Pacific Mutual, Calif.	13.0
Beverly Bank, Ill.	12.7
Fidelity Bank, Pa.	12.6
First Jersey Natl., N.J.	12.6
Texas Commerce	12.5
Hibernia Natl., La.	12.5
American Security, D.C.	12.4
Seafirst Bank, Wash.	12.4
Manufacturers Hanover, N.Y.	12.2
First Interstate of Denver	12.1
First Wis. Natl., Madison	12.0
Central Fidelity, Va.	12.0
First Kentucky Trust	11.9
Boatmen's Natl., Mo.	11.9
First Interstate of Ariz.	11.9
Manufacturers Detroit	11.7
Citicorp, N.Y.	11.7
CIGNA Corp. (Pub. traded), Conn.	11.7
American Natl. Bank, Tenn.	11.6
John Hancock, Mass.	11.6
Bank of New England, Mass.	11.6
Lloyds Bank (C), Calif.	11.5
Mercantile Trust, Mo.	11.5
Connecticut National Bank	11.4
Merchants Natl., Pa.	11.4
Commerce Union, Tenn.	11.4
Bankers Trust (B), N.Y.	11.3
First Fidelity Bank, N.J.	11.3
US Trust, N.Y.	11.3
Indiana National Bank	11.2
Cullen Bank, Texas	11.2
Bankers Trust (A), N.Y.	11.2
Mellon Bank, Pa.	11.2
Allied Bank, Texas	11.2
Key Trust Co., N.Y.	11.2
Toledo Trust, Ohio	11.1
IAA Trust Co. (B), Ill.	11.1
Oregon Bank	11.1
Trust Svcs of Amer., Calif.	11.1
First Bank, Milwaukee	11.1
First of Maryland	11.1
Shearson Lehman Index	**10.9**

Special issues coming up in *Pensions & Investment Age*:

- Union pensions, Sept. 1.
- Directory of real estate advisers, Sept. 15.
- Institutional brokerage survey, Sept. 29.
- Public pensions, Oct. 13.
- Cash management survey, Oct. 27.

BellSouth



Copley keeps place . . .

Continued from page 27

Trust I led in the one-, three- and five-year periods ended March 31.

The group trust includes retail and office properties, and may include industrial properties in the future.

Chicago-based JMB had the highest returns of all funds in the PIPER real estate universe, reporting 23.2% for 12 months; a compound annual 21.9% for three years; and a compound annual 19.7% for five years.

Jerry Claeys, executive vice president, said Group Trust I stresses retail properties, especially regional malls.

Unlike most managers, who are about 20% invested in retail, about 60% of JMB's investments are in retail.

In conjunction with this, the company has a great deal of property management capabilities, Mr. Claeys said.

"We believe in property management," he said. "We have in-house capability to manage centers.

"We know what to do with them. All of this is translated into higher returns."

Others in the Top Five closed-end funds for the year were real estate equity funds.

LaSalle Realty Advisors Inc., Chicago, and Lehndorff & Babson Real Estate Counsel, Dallas, both newcomers to the PIPER Top Five, invest in equity real estate.

One-year returns for LaSalle and Lehndorff were 15.7% and 18.6%, respectively.

Returns of 15.6% and 14.9%, respectively, for the year kept Fund V of Coldwell Banker Capital Management Services, Los Angeles, and John Hancock Cos., Boston, among the Top Five funds.

Following JMB in the three-year period were State Street Bank and Trust Co., Boston, which returned 17.6%; Coldwell Banker Fund V, 17.5%; LaSalle Advisors, 16.4%; and Coldwell Banker Fund II, 16%.

In the five-year returns, JMB was followed by Coldwell Banker Funds II, V and IV, which had returns of 19.2%, 16.2% and 13.4%, respectively.

LaSalle Advisors' fund returned 16.9% for the period.

Coldwell Banker Capital Management Services' Fund II was the only closed-end fund with a 10-year return.

For the 10 years ended March 31, the fund returned 21.6% compounded annually. ■

Real Estate Open-end funds

Period ended March 1986

1-year returns

	%
Copley Real Estate Adv.	20.7
Prudential (MORISA)	18.8
Mutual Benefit Life	18.3
Prudential (PRIMOR)	16.5
Morgan Guaranty	15.6
Chase Manhattan	15.4
CIGNA Corp.	13.7
Wachovia Bank	13.1
NCNB Natl. Bank	12.8
Bank One Trust, Columbus	12.8
Aetna Life & Cas. (PMSA)	12.7
Citicorp	12.1
First of Boston	11.0
First of Chicago (F)	10.6
United Virginia Bank	10.5
Equitable Life	10.4
Republic National	10.0
Massachusetts Mutual	10.0
Metropolitan Life	9.9
Third Natl., Nashville	9.8
Travelers	9.7
Sun Bank	9.3
Aetna Life & Cas. (RESA)	9.2
Bankers Life, Iowa	9.2
First of Minneapolis	8.6
John Hancock	8.3
Prudential (PRISA)	8.0
Metropolitan Life (Tower)	6.3
Interfirst Bank, Dallas	6.2
Seafirst Bank	5.9
Lloyds Bank (F)	4.7
Consumer Price Index	**2.2**

3-year returns

	%
Copley Real Estate Adv.	20.4
Mutual Benefit Life (VCA-5)	17.7
Prudential (MORISA)	17.0
NCNB National Bank	16.6
Metropolitan Life	16.5
Morgan Guaranty	15.9
Prudential (PRIMOR)	15.6
Aetna Life & Cas. (PMSA)	15.1
Chase Manhattan	15.1
First of Minneapolis	14.5
Equitable Life	14.2
CIGNA Corp	14.0
Metropolitan Life (Tower)	13.8
First of Chicago (F)	12.3
Bank One Trust, Columbus	12.3
Citicorp	12.2
First of Boston	12.0
Aetna Life & Cas. (RESA)	11.7
Wachovia Bank	11.6
Prudential (PRISA)	11.6
United Virginia Bank	11.4
Sun Bank	11.2
Interfirst Bank	10.9
Bankers Life, Iowa	10.9
Massachusetts Mutual	10.8
John Hancock	10.6
Republic Natl., Dallas	10.3
Third Natl., Nashville	9.6
Travelers	8.6
Seafirst Bank	7.5
Lloyds Bank (F)	7.3
Consumer Price Index	**3.5**

5-year returns

	%
Aetna Life & Cas. (PMSA)	17.0
Morgan Guaranty	16.6
NCNB Natl. Bank	16.3
Wachovia Bank	14.4
Metropolitan Life	14.4
Bank One Trust, Columbus	13.6
Equitable Life	13.2
First of Boston	12.9
First of Chicago (F)	12.8
Interfirst Bank, Dallas	12.1
Metropolitan Life (Tower)	12.0
Aetna Life & Cas. (RESA)	11.7
Prudential (PRISA)	11.0
John Hancock	10.7
Travelers	10.4
Third Natl., Nashville	10.3
Citicorp	9.9
Seafirst Bank	9.9
Consumer Price Index	**4.2**

10-year returns

	%
Morgan Guaranty	18.5
Wachovia Bank	14.8
Prudential (PRISA)	14.7
Metropolitan Life	13.4
Equitable Life	13.0
First of Boston	12.4
First of Chicago (F)	12.2
Consumer Price Index	**6.9**

Real Estate Closed-end funds

Period ended March 1986

1-year returns

	%
JMB Institutional (I)	23.2
Lehndorff & Babson	18.6
LaSalle Advisors	15.7
Coldwell Banker (V)	15.6
John Hancock (Sera 1)	14.9
Equitable Life (16I)	14.8
Landauer Advisors (I)	14.7
State Street Bank (I)	14.5
Rosenberg (Mid-Am II)	14.2
Rosenberg (Mid-Am III)	14.0
Aetna Life & Cas. (I)	13.8
Coldwell Banker (II)	13.8
Coldwell Banker (VII)	11.9
Sarofim Trust Co.	11.7
Rosenberg (West V)	11.3
Rosenberg (REEF III)	11.3
JMB Institutional (II)	11.0
Rosenberg (USA I)	10.8
CIGNA Corp.	10.7
Aetna Life & Cas. (II)	10.3
Coldwell Banker (IV)	10.3
JMB Institutional (III)	10.2
State Street Bank (II)	9.6

At NCNB, We Follow The Philosophy Of The Pharaohs.

They knew two things were critical to solid real estate investments. Quality construction and teamwork. Given the enduring results of that way of thinking, NCNB insists on it too.

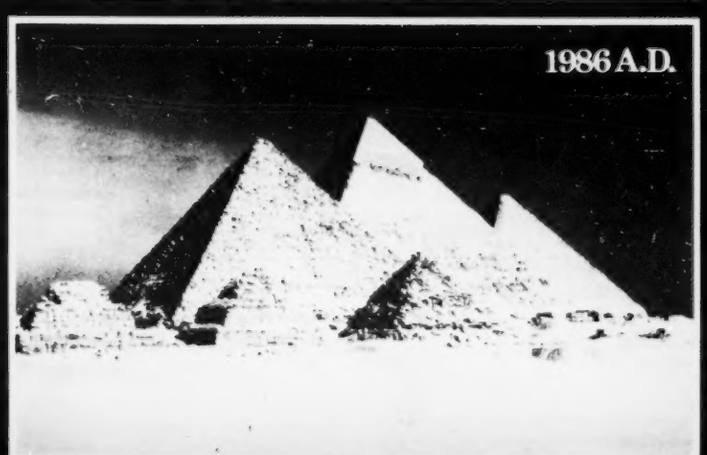
Our experienced team of development, architectural, construction, and property management specialists work exclusively with high-quality properties, located primarily in the Southeast. And our dedication to quality and teamwork has paid substantial dividends.

With consistently high returns, the NCNB Real Estate Fund has climbed to the peak of the industry in recent years. We've cemented our place at the top of the open-end fund universe with an average annual return of 16.4%* over the last five years. Our ten-year average is just as impressive.

Many real estate investments may look good in the short run, but The NCNB Real Estate Fund has passed the ultimate test...the test of time. Call Mark Coltrin, NCNB Trust Group Vice-President for details at (704) 374-8405.

*As reported by CDA Investment Technologies, Inc. for the period ending 12/31/85.

NCNB



NCNB REAL ESTATE FUND

Asbestos hot issue . . .

Continued from page 27

He noted if there is any litigation in regard to the asbestos, the liability now is in the hands of county officials, not the retirement fund.

While Mr. Russin's desire not to own a building with asbestos is not uncommon today, it does raise some serious questions, according to TCW's Mr. Martin.

To think the matter is only one of up-front costs — the costs of taking out the asbestos — is misleading, he said. He doesn't believe an investor can get a 100% guarantee that all the asbestos has been removed from a building.

Mr. Saylor of Pension Real Estate Services agreed. He said because the industry handling the asbestos problem is new, a fund would have trouble getting anyone to sign-off on having corrected the problem.

Even if most of the asbestos is removed, Mr. Martin noted, an insurer still might not provide coverage on asbestos problems. And because asbestosis has a 40-year latency period, it is a difficult problem to insure against.

Another question involves tenants, Mr. Martin said. Employers increasingly may become wary of renting space in office buildings containing asbestos out of fear of being sued by employees. As a result, buildings without asbestos could get more in rent and be more fully leased, all else being equal.

Steven Brabant, a vice president with John McMahan Associates, San Francisco, said, "We have our inspecting architect give us certification that buildings that we are buying have no asbestos. Everytime I say I will never do something, it always comes up where you will do it, but it would be a very, very, very rare situation that we would buy a building that had an asbestos problem."

McMahan Associates has no such buildings now.

"The nagging risk is that before you get it (an asbestos problem) corrected, someone is going to sue you, or that you correct it, and they bring up the lawsuit anyway, with some attorney arguing that you really didn't correct it. It's not a problem I would want to buy into," Mr. Brabant added.

But if there are no buyers for such buildings, what are those buildings worth, Mr. Martin asked. If there is only one buyer for a building, the buyer can name his price.

Mr. Saylor said if a commingled fund has asbestos properties, the yields and the performance in the unit values of the fund are bound to be somewhat inflated.

"If there is no buyer for the building, you can make a good case that the value of the building is zero," Mr. Saylor said. "However, if you have a $100 million building and it costs $50 million to correct the asbestos, maybe you have got a $50 million building, or some way of discounting value over time, and that is not being reflected in the performance data that managers are presenting to commingled fund investors."

But not every building constructed between the 1950s and 1970s contains asbestos, according to Eric Mayer, chairman of the board for Center Properties, a subsidiary of Heitman Advisory, Chicago.

According to various real estate experts, asbestos fireproofing really isn't a problem in retail centers and industrial buildings. In those buildings, less fireproofing is required and it is easier to remove.

Also, if asbestos was used for insulating piping, rather than being sprayed on structural steel as a fire retardant, it is far easier to remove, said John Rowen, executive vice president with Asbestos Abatement.

Removal costs anywhere from $10 to $14 per square foot, a high price in multimillion-square-foot office buildings. And that cost doesn't include re-fireproofing the building, another $3 to $6 per square foot.

Although there are alternatives to removing the asbestos, such as encapsulating it or surrounding it with drywall, Mr. Accomando said these measures are temporary because encapsulating material can deteriorate with time and drywall can easily be breached.

The real estate funds most likely to have properties in them with asbestos are the older funds that were buying real estate in the 1970s.

One of the oldest is the $5 billion Prudential Asset Management, Newark, N.J.. Prudential Property Investment Separate Account, an open-end fund with dozens of major pension fund clients.

Don Davis, a senior portfolio manager with Prudential Asset Management, said PRISA does have some buildings with asbestos — 76 out of 214 office buildings built prior to 1979.

The buildings have been carefully monitored for asbestos particles in the air, and none exceeds OSHA's new standards, Mr. Davis said.

Mr. Davis said he now would want to look carefully at any deal involving a building containing asbestos.

Continued on page 30

Rosenberg (REEF II)	9.2
Rosenberg (REEF I)	9.0
Metropolitan Life (I)	9.0
Coldwell Banker (III)	8.5
Rosenberg (Mid-Am I)	6.9
Coldwell Banker (VI)	6.9
Rosenberg (REEF IV)	5.9
Rosenberg (USA II)	3.1
Consumer Price Index	**2.2**

3-year returns

	%
JMB Institutional (I)	21.9
State Street Bank (I)	17.6
Coldwell Banker (V)	17.5
LaSalle Advisors, III.	16.4
Coldwell Banker (II)	16.0
Sarofim Trust Co. (P-I)	15.8
Rosenberg (Mid-Am II)	13.3
Equitable Life (16I)	13.2
Rosenberg (REEF III)	12.3
Coldwell Banker (IV)	12.1
Rosenberg (REEF II)	11.4
Rosenberg (USA I)	10.9
Coldwell Banker (VII)	10.9
CIGNA Corp.	10.6
Coldwell Banker (III)	10.3
Rosenberg (USA II)	10.0
Rosenberg (REEF I)	9.3
Coldwell Banker (VI)	9.3
Rosenberg (REEF IV)	7.8
Rosenberg (Mid-Am I)	7.4
Consumer Price Index	**3.6**

5-year returns

	%
JMB Institutional (I)	19.7
Coldwell Banker (II)	19.2
LaSalle Advisors, III.	16.9
Coldwell Banker (V)	16.2
Coldwell Banker (IV)	13.4
Rosenberg (REEF I)	12.2
Rosenberg (REEF II)	12.0
Coldwell Banker (VI)	11.3
Coldwell Banker (III)	10.7
Consumer Price Index	**4.2**

10-year returns

	%
Coldwell Banker (II)	21.6
Consumer Price Index	**6.9**

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Quite a few years ago, Wachovia developed a new formula for pension fund real estate investment — a formula so unique and yet so effective (see the chart at left), it took Wachovia to conceive it.

When the economy is right for development, we develop. When it's right for acquisition, we acquire.

When demand for real estate is up, Wachovia develops land previously acquired, creating value to add to the portfolio at lower cost. Our active, hands-on involvement in development and management is our assurance of enduring property quality.

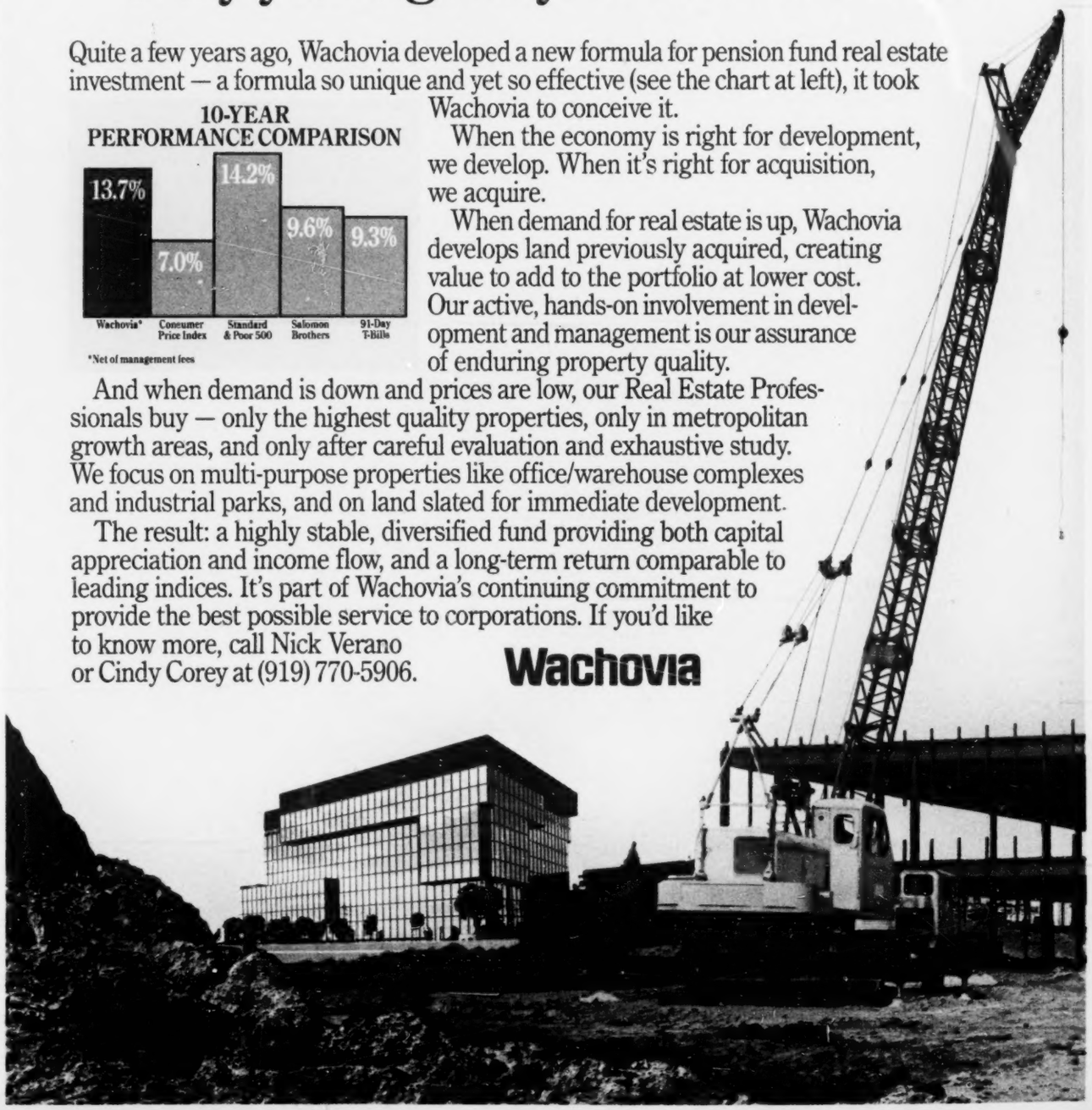
And when demand is down and prices are low, our Real Estate Professionals buy — only the highest quality properties, only in metropolitan growth areas, and only after careful evaluation and exhaustive study. We focus on multi-purpose properties like office/warehouse complexes and industrial parks, and on land slated for immediate development.

The result: a highly stable, diversified fund providing both capital appreciation and income flow, and a long-term return comparable to leading indices. It's part of Wachovia's continuing commitment to provide the best possible service to corporations. If you'd like to know more, call Nick Verano or Cindy Corey at (919) 770-5906.

Wachovia

10-YEAR PERFORMANCE COMPARISON

*Net of management fees



Cash Management

Third-party financing gaining popularity

By Chuck Paustian

Companies increasingly are turning to third-party finance corporations as a source of off-balance sheet financing to meet their short-term capital needs.

For example, five units of The Coca-Cola Co., Atlanta, sold a portion of their accounts receivables to EBS Finance Corp., New York, for an undisclosed amount.

EBS Finance, the third-party finance company formed by Coca-Cola, is using the accounts receivables to meet interest and principal payments on a new private placement of commercial paper. Salomon Brothers Inc., New York, is serving as the agent for the private placement.

Coca-Cola has unconditionally guaranteed the collectibility of those receivables, according to the prospectus.

Other corporations — including American Airlines Inc., Fort Worth, Texas, and Sperry Corp., New York — have used similar off-balance sheet financing techniques in the past.

These complex transactions allow corporations to use their strong creditworthiness to raise capital quickly without carrying the debt obligations on their balance sheets.

Although such transactions are not new, they have been gaining in popularity.

"I would think this (a third-party financing) goes to the top level of sophistication," said C. Reed Parker, executive vice president and vice chairman of the rating committee at Duff & Phelps Inc., Chicago.

Mr. Parker also said these transactions have become more popular in recent years.

Matthew Devine, director of banking and investments at American Airlines, agreed. "I think when we created our captive finance company, there weren't too many in existence. I think they have subsequently grown in popularity," he said.

Not only have the number of third-party finance companies increased, but also the number of corporations using this technique.

The Commercial Industrial Trade-Receivables Investment Co., a limited partnership organized in Harrison, N.Y., with Citicorp Asset Management Inc. as general partner, was established in 1983 with one corporation as a limited partner.

As of the end of June 30, the number of limited partners had grown to 16 and the amount of outstanding commercial paper totaled $1.44 billion.

The partnership's commercial paper is supported by a standby purchase commitment from Citibank, New York, and has been given the highest ratings by Duff & Phelps and Moody's Investors Service and Standard & Poor's Corp., both of New York.

In a third-party financing arrangement, a company sells a pool of assets, usually accounts receivables, to a finance corporation, which uses the assets to meet the interest and principal payments of commercial paper or other debt instruments, said industry experts.

The debt instruments receive high-quality credit ratings because they are backed by either a guarantee from the receivables-generating company or more traditional bank lines of credit.

Because the third-party corporation is not a subsidiary, the receivables-generating company is not obligated to carry the receivables or the debt obligations on its balance sheet, the industry sources said.

In the EBS Finance transaction, the Coca-Cola units, three subsidiaries and two wholly owned partnerships, sold the receivables to the third-party finance company, said Robert Wermuth, manager of corporate and U.S. treasury services at Coca-Cola.

The three subsidiaries are Columbia Pictures Industries Inc., CPT Holdings Inc. and Tandem Licensing Corp. The two wholly owned partnerships are Embassy Pictures and Embassy Television.

"EBS is a special-purpose corporation that was set up to handle details of the sales of accounts receivables for the entertainment sector of the company," he said.

Mr. Wermuth would not say how much in receivables were being transferred to EBS Finance, the amount of commercial paper to be issued or how the transaction affected Coca-Cola's balance sheet.

A source close to the transaction, however, said the transaction is not carried on Coca-Cola's balance sheet.

"The transactions have been completed and are not reflected on the balance sheet of The Coca-Cola Co. They're reflected only on the books of EBS Finance Corp.," said the source, who asked not to be identified.

Most of the EBS Finance transactions have been private placements in both the domestic and European markets.

"It's just an additional source of financing for those businesses," he said. As of March 31, EBS Finance had $545 million in commercial paper outstanding.

Mr. Wermuth did say the proceeds from the transaction will be used for the general purposes of the entertainment sector.

Although Coca-Cola does not own any part of EBS Finance, the third-party finance corporation only deals with Coca-Cola. Mr. Wermuth would not comment on whether EBS Finance could do business with other corporations or what role Coca-

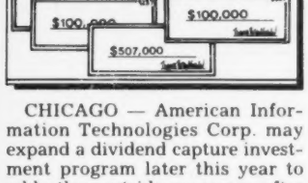
Continued on page 3

Payden & Rygel index of short maturity assets*
(for month ended July 31)

	July 1986	Quarter ended 6/30/86	Year to date	12 months ended 7/31/86	Yield level monthly change*
	Unannualized total returns				
90-day					
U.S. Treasury bill	0.5493	1.6779	4.2033	7.5611	−17
Domestic CD	0.6079	1.8351	4.5400	8.0943	−26
Euro $ CD	0.6053	1.8711	4.5896	8.2176	−21
180-day					
U.S. Treasury bill	0.5921	1.7909	4.6400	8.2450	−15
Domestic CD	0.6283	1.9687	4.8171	8.5062	−19
Euro $ CD	0.5999	2.0111	4.8350	8.6616	−10
1-year					
U.S. Treasury note	0.7287	1.9571	5.4196	9.4843	−21
2-year					
U.S. Treasury note	1.0040	1.9575	6.9535	12.9423	−24

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. 90- and 180-day Treasury bill yield level changes on discount basis.
*Basis points.
Source: Payden & Rygel, Los Angeles

Ameritech may expand capture program



CHICAGO — American Information Technologies Corp. may expand a dividend capture investment program later this year to add other outside managers after the initial success with Jefferies & Co., said Robert J. Kolbe, Ameritech's director of banking relations.

For the first six months of the year, Ameritech earned annualized returns of 12.39% before tax and 10.87% after tax, according to John Eberle, Chicago-based senior vice president of Jefferies.

Mr. Kolbe, who confirmed the returns, said Ameritech put $5 million in corporate cash in the program at the beginning of the year.

The amount is a small percentage of Ameritech's total corporate cash. Its total cash varies, he said, adding that at the end of June it was around $100 million.

The bulk of its cash is in money-market instruments, he added.

He said Ameritech was trying the dividend strategy on a pilot basis.

The company is considering hiring other investment managers for similar dividend strategies, investing a larger share of corporate cash, he said.

"We have a number we are looking at and we will probably do something later this year, assuming its continued success," Mr. Kolbe said. He declined to name the managers.

He said pending congressional tax legislation might cause Ameritech to rethink the investment strategy.

But at this time, he said the strategy would still retain advantages over fully taxable investments.

The strategy requires Ameritech to hold the dividend-yielding stocks for at least 46 days to qualify for the 85% corporate exclusion on dividends.

According to Mr. Eberle, Jefferies invests the cash in flat-rate preferred stocks, while at the same time totally hedging the portfolio against interest rate increases. To hedge, he said, Jefferies uses 2% or 3% of the Ameritech cash it runs to buy puts on 20-year Treasury bond futures contracts.

"The 20-year bond futures correlate most closely with the preferred stocks," Mr. Eberle said.

He said Ameritech's returns were about 2½ percentage points better than the after-tax yields on 30-day certificates of deposit and two to three percentage points higher than 30-day municipal securities or 49-day auction rate preferred stock.

National Health hires

DOTHAN, Ala. — Seeking to

Continued on page 39

New format, CTP seen coexisting

By Barry B. Burr

Officials of Exxon Co. USA and the National Automated Clearing House Association believe the new corporate trade exchange format and the corporate trade payment format now in use will exist side by side.

John W. Somers, banking analyst at the Houston-based unit of Exxon Corp. and Karen Reed, NACHA director of public relations, Washington, doubt CTX will replace the CTP for making corporate-to-corporate payments.

"It's not a case of one format being better than the other or replacing the other, but what is more suitable," Ms. Reed said.

CTP is a limited information format and is not capable of accepting payment data from the American National Standards Institute format, which was recently adopted as the industry standard to use to exchange ordering, invoicing and related information electronically.

CTX was recently adopted by NACHA to enable the ACH to process payments using the ANSI format.

The use of either format will depend on to what extent corporations want to integrate electronically their ordering, receiving and payment process, Mr. Somers and Ms. Reed said.

Corporations seeking to integrate the process would adopt the CTX.

General Motors Corp. is one of the leading companies working on such an integrated system with its vendors, but hasn't revealed any specifics on the type of electronic format it would employ.

"You will really need the integration of your purchasing, (materials) receiving systems and accounting system, if you are going to fully optimize the use of the CTX," Mr. Somers said.

The Federal Reserve will start adopting CTX capability in 1987 at its ACH transactions processing centers.

Ms. Reed said NACHA expects all Fed centers to have the capability of processing CTX transactions by mid-1987.

"There are common misperceptions about the CTX and the CTP formats," said Mr. Somers.

CTX wasn't designed to replace CTP, but to provide more sophisticated processing capability for corporations trying to automate fully their ordering, receiving and payment systems.

"I don't think CTX will diminish CTP," Ms. Reed added.

Ms. Reed said NACHA has no estimate on projected use of the CTX format to further the goal of having more corporate-to-corporate payments made through the ACH system.

CTP was adopted in 1984 to provide the first such corporate payment format.

Mr. Somers added, "I don't think NACHA is in a position to gauge corporate intentions."

Exxon is one of the few firms that regularly uses the ACH system. Mr. Somers, who declined to provide any volume information, said Exxon will continue to use CTP.

"Exxon has been an aggressive user of ACH (under the CTP format) where it makes sense in our businesses," Mr. Somers said.

"I would say it's an effective tool for us," he said of the CTP. He pointed out in part that it has reduced Exxon's transaction costs over checks.

As for the CTX, he said Exxon was familiar with the concepts but wasn't now considering its implementation.

"We would have no reluctance to use it once we are in a position to utilize it," he said.

He pointed out Exxon, unlike manufacturing companies that deal with thousands of suppliers, hasn't had the pressing need to integrate its ordering, receiving and accounting systems to control

Continued on page 3

High bank fees . . .

Continued from page 3

ou were working on and helped ou overall in your strategy to get vhere you were going, not the ransaction-oriented type deals, vhich is what this fee system has reated," she said.

Dillon, Read & Co. has shown ts willingness to work with DiGiorgio — a food processing, uilding material and land devel- pment company — in the tradi- ional way, Ms. Timmerman said.

"I would say that relationships re still very important," said Martin C. Murrer, an investment anker at Salomon Brothers Inc., New York. Long-term relation- hips help investment bankers nderstand the needs of their cli- nts, he said.

"I would say if there is a lack or eterioration of relationships, it's principally a policy matter done by the corporation, certainly not something advocated by investment banks," said Mr. Murrer, a vice president in Salomon's corporate finance department.

Peter J. Aranow, a managing director at Bear, Stearns & Co., New York, also said the shift from relationship-oriented banking is a result of choices made by corporations. The search for the lowest bid undermines traditional relationships, he said.

Some corporate executives worry large fees are weakening the "whole traditional relationship," Mr. Aranow said. "I wouldn't say that they are, but certainly they are affecting a portion of investment banking, Wall Street being an economic animal."

The largest corporations, on average, paid out $2.6 million in investment banking fees in the 12 months through June, according to preliminary data of an investment banking study released by Greenwich Associates, Greenwich, Conn. Twenty-seven percent of large industrial companies spent more than $5 million.

The study noted 62% of the amount typically is paid to a company's most important investment banker, while 35% on average was paid to its second most important banker.

While many corporate executives expressed their concerns, some framed their comments in a context that was sympathetic to the bankers.

Robert Ryan, treasurer at McDonald's Corp., Oak Brook, Ill., said fees are always a concern for the company, a frequent issuer in the domestic and foreign markets. Generally, however, "I don't think they have been too high," given the services McDonald's receives, Mr. Ryan said. "Investment bankers know what we're looking for. They've come up with some outstanding ideas for us."

"We feel that the fees are certainly adequate, but we do not feel we are being gouged," said Richard B. Klein, treasurer at the Corning Glass Works, Corning, N.Y. Underwriting fees cover services that investment bankers perform throughout the year, he noted.

"For example, now we're getting information from them in trying to pick our timing to issue. You don't get charged for that per se, that's all part of the package," Mr. Klein said.

"While the fees vary over a pretty good range of amounts, it's hard to make an argument that in general they are too high," said Richard J. Osborne, treasurer at Duke Power Co., Charlotte, N.C.

"I guess it's one of those things where you'd always like them lower," said A.J. Carter, assistant treasurer at Piedmont Aviation Inc., Winston-Salem, N.C. "But I certainly think we're paying at the market or slightly below it for most of our investment banking services."

At Gannett Co., Arlington, Va., Assistant Treasurer Vaughan C. Clarke said investment bankers sometimes work with thin profit margins. He cited the 17-basis-point spread between Treasuries and a recent Gannett debt issue managed by Dean Witter Reynolds Inc., New York.

"So as you can see, however you want to split that profit, there isn't a hell of a lot for credit risk and there isn't a lot for the investment banker's profit," Mr. Clarke said.

But corporations in general pay too much to investment bankers, he said.

Trading losses resulting from bad interest rate bets in the past few months discourage investment banks from reducing their fees, Mr. Clarke said.

"If you have high retail demand and don't have very much inventory and if interest rates are going in the right direction, then you can afford to be aggressive in your bid, which means that you can narrow your spread or narrow the profit you can take out of a transaction," he said.

Few corporate executives see any alternative to the underwriting services performed by investment bankers.

The breakdown of traditional relationships and the rise of an intensely competitive environment has come since the institution of shelf registration in 1982.

Although investment bankers feared at the time that the ease with which companies could now issue securities would lead issuers to sell their securities on their own, such a trend has yet to materialize.

What has kept the ties to investment bankers strong is the increased complexity of the capital markets and the proliferation of creative, highly technical financing ideas. Corporate executives also point to Wall Street's knowledge of what investors will buy and at what price as the key reason they continue to look to investment bankers for service.

"Even if a company has the internal expertise, they don't have the feel of the market," said Garland Asher, director of financial planning at Tandy Corp., Fort Worth, Texas.

He cited his company's efforts to raise $150 million of two- and four-year notes in 1984. "Salomon Brothers identified a window of opportunity for us as the year ended and wound up saving us 43 basis points over the T-bill rate on the two-year notes," he said. "We simply couldn't have done that on our own."

"I'm not sure that direct entry into the public markets would be good for us because a major advantage of a major investment bank is their marketing ability, their ability to maintain investor interest in a company," said John H. Flittie, senior vice president and chief financial officer at Northwestern National Life Insurance Co., Minneapolis.

"We can't replicate what the big guys offer in that regard.

"A company like ours is not in the capital markets enough to have the expertise to do that. We've had two public offering in 101 years. You just can't accumulate and maintain the expertise on something you may do twice in your career."

Some corporations, however, are scrutinizing what type of investment banking services they will use, sometimes opting to bypass Wall Street.

Exxon Corp., New York, for example, will sell its new issues

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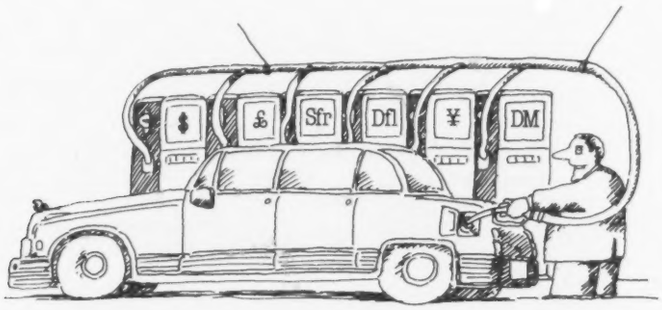

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High bank fees . . .

ontinued from page 44

irectly to investors without the id of underwriters, a stance reating anxiety on Wall Street.

The oil company already has sold veral issues via a Dutch auction, or vestor bidding process, the last of hich was a $1.8 billion (face value) ero-coupon deal sold in the Euro-ean marketplace.

Exxon would not hesitate to sell irectly into the market in the ture if a financing suited that oute, said Allen Harrison, assis-nt treasurer.

The company's efforts stemmed part from a desire to curb vestment banking fees and other nderwriting costs. "We also anted to see more competition in e market," Mr. Harrison said.

He noted, however, that Exxon's bility to do direct offerings stems om its unusual position among corporations.

"We have a much larger finance staff than most other corporations. Our name sells well and we don't go into the market very often," Mr. Harrison said.

Other companies that aren't in a position to do direct offerings have turned to competitive bidding as a means of cutting fees to investment bankers.

United Telecommunications Inc., Westwood, Kan., has saved at least 20 basis points on deals it has done on a competitive rather than negotiated basis, estimated Donald Coyne, director of long-term financing.

The high fees in the merger area are prompting some companies to cut back on investment banking services to those it deems necessary on a case-by-case basis.

One acquisition-minded corporate official has used investment bankers to generate fairness opinions but not broad advisory work.

Even then, he said, his company shopped around, in one case bypassing the majors to hire a firm that provided quality service at a more reasonable fee.

Hospital Corp. of America, Nashville, Tenn., meanwhile, has been willing to eschew investment bankers if its merger activity doesn't warrant it. "We acquired Hospital Affiliates from INA Corp. in 1981 without the help of an investment banker," said William McInnis, vice president-finance. "Maybe it was a little bit of a macho thing. But we had agreed on what we thought was a fair price. At that point it became a legal thing."

While corporate officials are displaying growing alarm at the high cost of mergers and acquisitions advice, the largest corporations do not consider those fees the most important factor in hiring an investment banker.

"A merger is the largest volume and most important transaction that a corporation will undertake," said Jay Bennett, associate at Greenwich Associates. The consulting firm's study, he said, is finding that such factors as expertise, working relationships and the ability to do the deal will rank before fees in terms of how officials value their investment banker's service, he said.

At Chrysler Corp., Detroit, the focus in acquisition, as well as other investment banking services, is whether the company is getting good value for its money, said Fred Zuckerman, treasurer.

On a $1 billion acquisition, Chrysler probably would pay about $10 million in mergers and acquisitions advisory fees, he theorized.

Because of its focus on quality of service, Chrysler never discusses fees up front. "That comes up only after we've looked at the value added," Mr. Zuckerman said. ■

Notes . . .

Continued from page 43

a "modest" portion of that to investors in securities with shorter maturities typically seen in the U.S. arena, said Don Van Deveter, senior vice president at First Interstate.

The shelf documentation provides language for issuing notes up to 15 years in registered form and with semi-annual interest payment dates, for the U.S. market, and in bearer form with annual interest payment dates, for the Euromarkets.

The liquidity of the securities is enhanced in that the facility also allows for notes, once trading in the secondary markets, to transfer from a bearer to registered form on a one-time basis so those securities could be sold in the U.S. marketplace, said Mr. Boldon.

Officials at Ford Motor Credit, however, see the one-time transfer from bearer to registered form as only a short-term solution to liquidity concerns.

"Long term it's not going to solve the problem," said Marvin Runyon, supervisor of fund operations administration at Ford Motor Credit.

The issuer is looking for alternative solutions to the liquidity issue and other hurdles before it moves to establish an overseas facility.

Other medium-term note issuers, meanwhile, are watching the development of the fledgling overseas market. While they foresee entering that market down the line, they see little incentive to be among the first at bat.

"Medium-term notes had been a GMAC and Ford Credit market until very recently so you would expect them to go into the Euromarkets with programs first as well," said one treasurer, whose company established its first facility domestically last fall. "For the smaller issuers of medium-term notes, it will take longer to develop."

"A global program is certainly a logical next step," said Richard Terzian, senior vice president and treasurer at Great Western Financial Corp., Beverly Hills, Calif. "After we see how that market develops, we would be very anxious to look at a global program."

Chrysler Financial Corp., Detroit, has amended its existing medium-term note documentation to accommodate a global program should officials there decide to enter that market.

However, in a developing market, Timothy Dykstra, assistant treasurer at Chrysler Financial, sees greater benefits in letting others lay the groundwork.

"We're in a wait-and-see mode," said Mr. Dykstra.

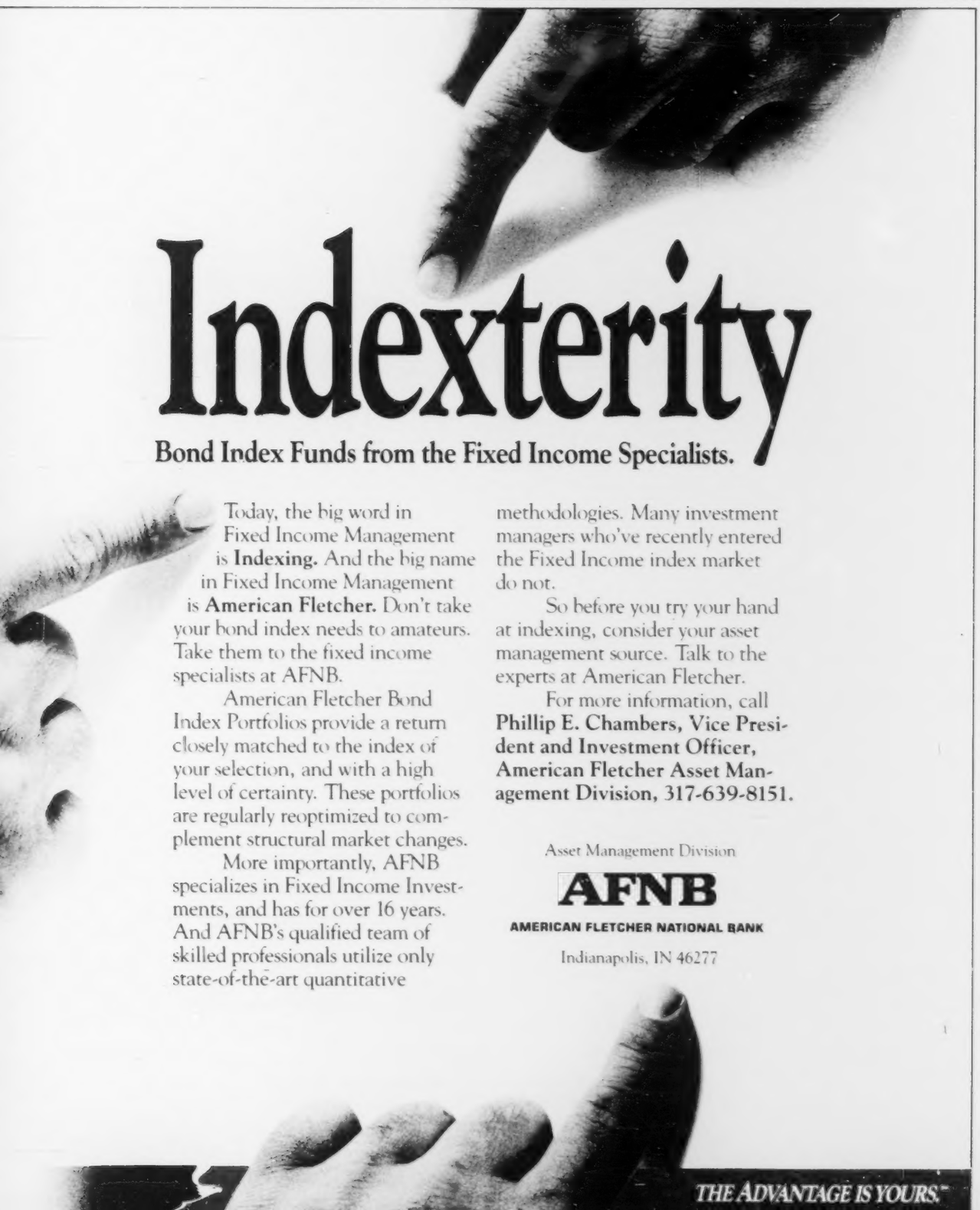
Household Finance Corp., Prospect Heights, Ill., is watching the development of the overseas market as well, but won't seriously consider extending its medium-term note program overseas until 1987, said Greg Pearsen, assistant vice president.

"At that time we'll take a look at how the market has developed and the degree of investor demand before launching a facility."

HFC is looking to the non-U.S. programs as complements to recently established Eurocommercial paper facilities.

Indeed, issuers and investment bankers say the increasing activity in the emerging market for Eurocommercial paper should go a long way in educating overseas investors on the attributes of securities issued through continuously offered facilities.

GMAC's Mr. Van Orman said its Eurocommercial paper activities are aiding the issuer in its efforts to structure a non-U.S. medium-term note program as well. "We've gotten some good experience in the last three months through our Eurocommercial paper program," he said. ■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